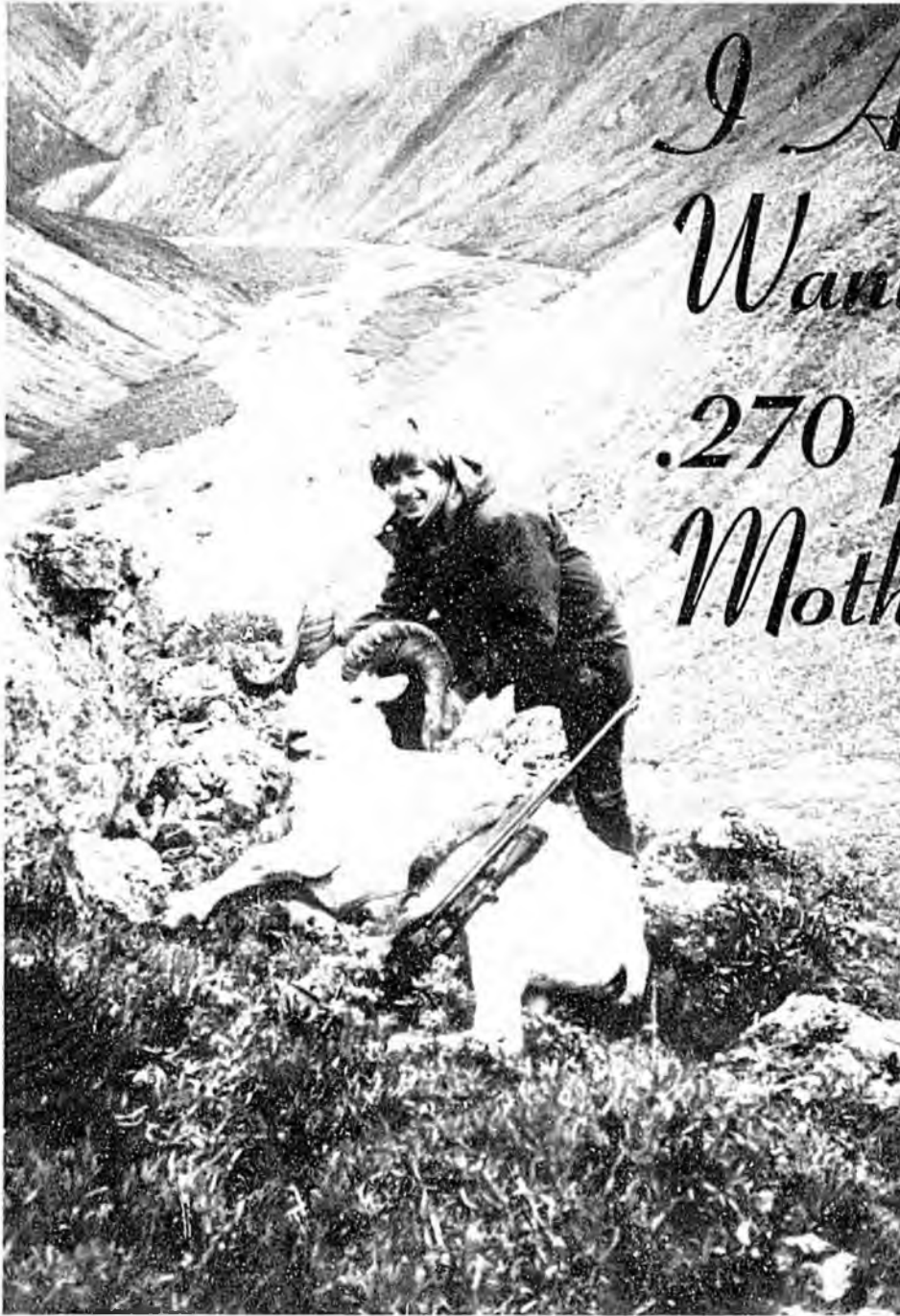


ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 8672

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SRES

SB 294 - SB 309



I Always Wanted a .270 for Mother's Day!

by Christa Ryan

My husband, Jimmy Ryan, was planning another trip to Alaska, this time to hunt Dall sheep with a bow. The planning was going pretty much as it had on previous hunts with one exception, he asked if I wanted to go! Now that was something to consider. Like most thirty-seven year old women, playing tennis a few times a week was the most exercise I got, and whether or not I could get myself into shape was a big concern. I decided I'd like to go, so we made a few phone calls and chose Chuck Wirschem to guide us.

We knew that a sheep hunt would be difficult so we started working out early. In April I started going to morning aerobics class followed with mountain climbing with Jimmy in the evening. I had no idea I was in such bad condition.

The first day we only went about a half mile, but I had to stop every fifty yards to rest as my chest felt like it was going to break apart. This gave me reason to doubt whether I could do it and every day Jimmy would encourage me to go further before I rested. Before long I was going to the top of the mountain without stopping, this was about three miles. On the weekends we would hike about ten miles with twenty-five to thirty pounds in our backpacks and also found the time to practice shooting.

On Mother's Day I was given a Remington .270 and a Redfield 4 x 12 scope. I was really pleased, and began serious practice. I shot standing up, prone and sitting while resting firmly on my knee. Starting out at fifty yards I eventually went up to three hundred and fifty and

was shooting well by the time August came.

We read all the magazine articles and books we could find on sheep hunting, hoping to get some idea of what to expect, and when that seemed to be lacking we began calling other people who had been on hunts to get some idea of how to get in shape. Whenever Jimmy or one of the boys would tell their friends that I was going to Alaska on a backpacking sheep hunt they would look at me as if there was no way I could do it. The women thought I had gone crazy, and there were many times I thought about giving up, but then some man would imply that I would never make it and I would regain my determination. For four months all I could think about was getting ready for our sheep hunt, mixed with some doubts, due to the bear stories we had read.

Chuck Wirschem and Howard Knutson met us at Fort Yukon. From there we flew to the Brooks Range where our hunt was to be conducted. The flight from Fort Yukon to camp took a couple of hours and I was relieved to finally get to base camp, just a little airsick.

There were ten people in base camp: four hunters, four guides, and two very brave ladies that took care of camp while the rest of us went hunting. I enjoyed talking to everyone, hearing about all the different and exciting

(continued on page 10)

PLEASE POST

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February	December 1
April	February 1
June	April 1
August	June 1
October	August 1
December	October 1

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hunts they had been on. It made me anxious to get started. The food in camp was a nice surprise, not at all what I had expected so far from civilization. Camp was as nice as they could possibly make it. The first evening there Jimmy and I went fishing and I caught a ten-pound male Arctic Char with a bright, fluorescent orange belly. It was beautiful! To top it off, we saw a silver fox with a white tipped tail as we walked back to camp. The experience was all the more uncommon as it was midnight. It was hard for me to realize how late it was because we were in full daylight.

Base camp was set up across from a large, beautiful mountain. When Chuck told us that we would start our hunt by crossing the river and going up that mountain, I thought he was joking. After leaving camp, we climbed for several hours. Chuck and Steve Smith (assistant guide) wanted to divide my pack and carry it for me. I thanked them and told them I could carry it myself. I certainly didn't want a man to carry my pack after the way the men back home harrassed me about making this trip. I had worked hard to get in shape. I had to prove to myself that I could do it.

We had been gone only a few hours when we saw our first close-up ram. We had been scoping a band some distance away when this one showed up just ten yards from us! It would have been a perfect shot for Jimmy with his bow, but we decided he was just a little small. Since this was our first day hunting Jimmy decided to pass him up. When I saw that sheep that close I thought about all the stories I had read about the difficulty of getting close to sheep. Chuck assured us this was very unusual and that it was unlikely to happen again.

We scoped several more rams that day but didn't make a stalk. By late afternoon we still had not seen an acceptable ram so we decided to make camp for the night down by the creek. We were finally going downhill. It was very steep and rocky, and my legs began to tremble. Once I fell, landing on my backpack and I just couldn't get up. Jimmy said I looked like a turtle on my back with my arms and legs flapping about. We didn't get camp set up until 10:30 p.m. I was exhausted.

The next morning we walked down the valley winding our way further and further away from base camp. After lunch we spotted a few rams two to three miles away. Through binoculars we could only tell that they were sheep, so we stopped to have a better look. After looking at them through the spotting scope Chuck turned to us and said,

"There's a pretty good one up there, I think that we had better make a try for him." After taking a look at him we too felt it was worth a try. We would have to climb around and up the back side of the mountain in order to get close without the sheep seeing us.

We cached part of the load we were carrying and headed out. After climbing for nearly an hour we came to the low gap on a point where the rams were lying. We took our backpacks off then proceeded to sneak over the top of the ridge, hoping to get a better look at them. Just as Chuck got to where he could see the rams, he saw an even bigger one and several others leaving the area below us. The largest ram was 40"! They had picked up our scent when we crossed the low gap. We moved as fast as we could, but by the time he got me into position for a shot they were out of range.

The rams we started after had not spooked, so we decided to leave them for a "Plan B" and chase the big ram awhile. This meant another two hours of hard climbing to get above him. We eventually came to a point where we could go no further, yet we could see the ram standing on a cliff about two miles away. There was no way we could get to him from where we were. We waited and watched him through the spotting scope for awhile, during that time we spotted another group of rams on still another mountain, but nothing of any size. Since we couldn't continue, we decided to go back for the rams we left behind.

Chuck picked out the best route down the mountain to get into shooting range, it was almost impossible to move down without dislodging rocks that would scare the sheep. I held my breath every time I took a step. The wind was in our favor and we were half way down to our ram when we came into view of a small ram feeding on the mountain side. At first we were afraid that he would spook and take the other ram with him. There was nothing to do but freeze while Chuck figured out what to do next. At last he turned and whispered, "I think that he is far enough away on the ridge that if we kind of shoo it away he will walk over the ridge without disturbing the other rams."

It worked out just as Chuck had planned. All that stood in our way now was a thousand yards of loose rock! Finally, I was inching to the point on the ridge where I was to shoot from, but when I got there I discovered that the ram had left!

While Chuck moved down to see if he

(continued from page 11)

could spot the sheep, Jimmy came down to where we were sitting to find out what was wrong. There was nothing to do but keep our eyes open, and hope for another chance. Our wishes were answered when we suddenly spotted the ram running across the creek bottom and up the slope on the other side. While I was locating him in my scope, Jimmy was looking through his rangefinder to check the distance. The ram was three hundred and fifty yards away. After Jimmy adjusted my scope all I had to do was pull the trigger. Sounds easy, huh?

I rested the rifle across my knee and took a shot, and hit him with the very first round. I couldn't believe it! I had done what seemed to be impossible for me four months ago. I was half laughing and half crying at the same time. When the ram started rolling down the hill I was afraid it would break its horns, but it didn't. I think all four of us were in shock for a few seconds. I thanked Jimmy, Chuck, Steve, and God for helping me. We did a little celebrating, took some pictures and then headed down to the ram.

We took a lot of pictures when we reached the ram, and continued our celebration. He wasn't the biggest, but he was mine, and I was proud of myself. After Chuck and Steve had finished skinning and cutting the meat, we made our way out of the ravine to the river where we made camp for the night. Chuck told me to prepare myself mentally for a longer day tomorrow, even longer than we had had that day! That was just what I wanted to hear before going to bed!

The next day Jimmy and Chuck left early to chase rams with the bow while Steve and I broke camp. We spent the day packing and after hiking all day we got into base camp. It was good to get back. I cleaned up and after the months of hard work I could finally relax... mentally and physically.


Jimmy had several opportunities with the bow, but didn't score. We both decided to return the following year, so we did and we both took nice rams. I figured if I could do it once, I could do it again.

Two sheep hunts had made me realize that I could do a lot of things that I thought were impossible before. By setting goals high and working hard, anything can be accomplished!!



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JOINT SUIT FILED

Safari Club, a non-profit organization, representing more than 900,000 hunters around the world, filed suit in Anchorage, Alaska in the U.S. District Court against the State of Alaska's Commissioner of Fish and Game, the Director of Game Division, and the Game Board members saying it is unconstitutional for them to bar non-resident hunters from participating in many of the state's hunting seasons, particularly those of federal lands.

SCI is joined in the suit by the Alaska Professional Hunters Association, two native Alaskan guides who charge they have been deprived of income from guiding non-residents for muskox hunting, and two non-resident hunters who say they were deprived of the opportunity to hunt trophy Dall sheep in areas specifically managed for trophy hunting.

Although Alaska's laws have for a number of years required that subsistence hunting—the hunting of game for food by Alaska residents—be given priority over all other types of hunting, SCI lawsuit charges that the law never

had been applied to exclude non-residents until 1985. The lawsuit charges that, until last year, the Alaska Board of Game used various methods to allow for subsistence hunting when issuing its hunting regulations. These methods did not discriminate against the non-resident, the lawsuit said, while allowing the game board to manage its wildlife.

However, a 1985 case in the state's Supreme Court called *Madison vs. Alaska Department of Fish and Game* threw out the state's game regulations, saying that state law required that every Alaska resident, and not just those living in rural areas be given the subsistence priority. The court so ruled that non-resident hunters had to be curtailed if the game board imposed restrictions on subsistence hunting by residents.

The Board of Game then issued new regulations, closing sixty-one hunts to non-residents by shifting the hunts into newly created subsistence categories. These included all muskoxen and bison

hunts, plus some of the best moose and Dall sheep hunting areas.

The issue did not stop there, however. Under federal law rural Alaskan residents must be granted priority over other subsistence hunters on federal land. The *Madison vs. Alaska* ruling and the state's new hunting regulations resulted in the U. S. Department of Interior warning the state that it must bring its regulations into compliance before June 1st by granting higher priorities on federal land to rural resident hunters. If Alaska does not comply by the deadline, the law requires the Interior to take over active management of game and fish resources on federal land in the state.

According to SCI officials, about 75% of all land in Alaska is owned by the federal government. Between 50-75% of the Alaska Fish and Game Department's income is from non-resident hunting licenses and permit fees. The state's guiding industry, which caters mostly to non-resident hunters, brings about \$10 million to the state every year.

Verne Edewaard, Chairman of SCI's Governmental Affairs Committee, said the committee spent four months investigating the issue and concluded that, "the issue is so outrageous that the only recourse for non-resident hunters is a lawsuit asking that the Alaska law be declared unconstitutional."

It was also stated by Edewaard that SCI did not oppose to granting priority to Alaska's game animals to resident subsistence hunters, nor does it challenge the state's right to manage fish and game or issue regulations. "What SCI wants is for fair treatment for the non-resident hunter, he said. "The current situation is anything but that. The current scheme is an artificial device that has no relationship whatsoever to the real subsistence needs of Alaskans. It has twisted the concept of subsistence out of all recognition. This has unfairly taken the right to hunt from non-residents and threatens the Alaskan guiding industry. As if this wasn't bad enough, other Alaskan hunts now require a special subsistence permit. These permits are granted only after a costly and time-consuming evaluation of the applicant's residency, need and 'traditional' use," Edewaard said. "Many Alaska sportsmen have lost hunting rights in this process. The entire system is cumbersome, costly and artificial."



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BIG
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For the Life of the Wife of a Guide

by Sue Rohrer

How did a hometown Pennsylvania Dutch girl like me get to Alaska? I suppose I should have been suspicious. . . as we were writing our wedding vows, my husband, Dick, suggested I say, "for richer or poorer, in sickness and in health, in hunting and in fishing!"

We'd been married for two months and living in Kodiak when Dick left me. Not for the reasons some may think, but for a month of guiding combination hunts on the Kenai. Not knowing many people in my new town, I set about finding my niche in this growing community.

As fifteen years passed, we had worked our way into the guiding profession, eventually purchasing our own hunting camp. Thus began my life as the wife of a guide.

Clients ask me: "Just what do you do? Cook?" (Some guides' wives do.) "Guide?" (Some wives do.) "Stay at home and out of his way?" (Some wives do!)

No, I don't cook at camp; no, I don't guide; and no, I don't stay out of his way! What does this wife do as part-owner of our business, 'Rohrer's Bear Camp'? Our first season is the spring bear hunt and my initial task is to find our first four clients at the airport. Now that doesn't sound too difficult, does it? All it takes is a little detective work. Will they all be decked out in camouflage from head to toe, looking as if they model for L.L. Bean? Will they be dressed as a tourist in city clothes with a camera slung around their necks, gold necklace, watchband, and diamond rings? Or will they be outfitted in cowboy hat, boots, and jeans? Or will they be a combination of all of the above? Regardless of how they are dressed, they all arrive at the airport sharing the same dream: To put the crosshairs on a ten-foot Kodiak brownie.

There are four approaches to locating the clients booked with us at the



airport. First, the meek approach: Stand off to the side in an inconspicuous place, wait 'til everyone has left the airport but four men who are obviously looking for someone to meet them. Or the bold approach: Walk with your head high to the first promising looking person. "Are you John Smith? No? Oh, uh, I'm sorry, please excuse me." Then back off and try again. The third way is to stand by the baggage claim area, read the names on the gun cases, pick out the right ones and wait for them to be claimed by their owners. (This only works if the gun cases have made it through with the rest of the gear, and haven't been lost enroute.) The fourth and most effective way is to bring one of my children with me adorned with a Rohrer's Bear Camp hat and a Rohrer's Bear Camp T-shirt and place them at the gate as the passengers deplane. However, the older the children get, the less inclined they are to cooperate with me in this manner.

Having found the clients, we load the

mountain of gear into our van and drive seven miles to town. There we purchase licenses, check in at Fish & Game, register them at the motel, and part with these encouraging words: "Have a good night's rest, hopefully the weather will be fit to fly tomorrow!"

The next day all is well, if the weather is decent. Decent is anything except heavy fog or high winds. If all is well, take them to the air charter where the aircraft is waiting, either the 206 on floats, the Widgeon, or the Goose, depending on how much gear we have. If the weather is bad, they sit it out at our home drinking coffee, stare out the picture window and wait for a break in the weather. At this time I can count on answering a predetermined set of questions. "Think it'll clear up?" "Looks like it's getting clearer over toward the mountains." "I think I hear a plane. Shouldn't you call the charter service?"

Kodiak's weather changes every five minutes, so most likely they won't have to wait around for long. Before we know it, men and gear are loaded on the plane, ready for the thirty-minute flight to camp where Dick is waiting for them.

Ahhhhhhh, I'm always relieved when they get out to camp. I'm free for ten days, except for daily radio contact with Dick. Ten o'clock each evening. . . KNX 77 Mush Bay, this is KLT 73 Kodiak, how's everything going? Dick usually gives me a list of items he needs sent out on the next plane. Food? Fuel? Parts for the outboards? Batteries? Shopping will be on my agenda for the following day.

Did I think I had ten days free? Always a good possibility is that a hunter who gets a bear early will get itchy being at camp and want to get home to tell his bear story to all the guys. So, I charter a float plane to pick him up, schedule his commercial flight out of town, call his wife, meet the float

(continued on page 14)

DATES TO REMEMBER

November 21, 22, & 23	APHA Annual Meeting at the Captain Cook Anchorage, Alaska
December 6	Written Guide's Test (more to be announced) Anchorage, Alaska
December 8	Oral Guide's Test (more to be announced) Anchorage, Alaska
December 9-13th	Tentative Guide Board Meetings Anchorage, Alaska

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plane, check him out at Fish & Game, then race to the airport to catch the jet.

Most of the men, however, like to stay at camp as long as possible to fish, exchange hunting stories, hike around the area, or just plain relax. After the first four complete their hunt, and fly back into Kotlik, it's time for the second group of four to arrive and the preceding series of events repeat themselves.

What occurs at home during the time Dick is at camp? The list is long: Collect rent from our twenty-plus renters (not always an easy job), the sewer line or the furnace or the electricity may quit on the apartments and I have to find someone to fix whatever breaks, the ad needs proofreading at the printers, potential clients call, inquiry letters need answered, our four children need attention, and the ever-present cooking and cleaning and running of a household keep me busy. The days are never dull and the time passes quickly. Spring hunting season soon becomes history.

After a few months respite in the summer, sheep fever causes my husband to head for the mainland for a few weeks of guiding sheep hunts. At the end of August, the silver salmon start running, and our fishing clientele begin arriving. The elk and deer hunters come next, and finally, the fall bear season opens. The climax of our hunting season is when our children and I and two other families fly out to camp for the Thanksgiving Holidays for some hunting of our own and a chance to unwind.

We've met wonderful hunters in the past years and developed lasting friendships with some of them. They keep us informed of their hunting adventures, family news, and often we are able to meet them at hunting conventions.

When the long Alaskan winter nights grow shorter; when the sun rises earlier and the days get longer, and when the snow begins to recede, my usually calm husband gets restless. It must be that time of year again. Spring bear hunts are almost here. Check the boats, schedule the air charters, buy the groceries. Hunting season has begun!

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- GRIZZLY - 14 DAYS - \$3,500; COUES DEER - 5 DAYS - \$1,000;
- BROWN BEAR - 10 DAYS - \$3,500; DALL SHEEP - 10 DAYS - \$3,500 ★

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Michael Coleman, grew up fishing and hunting in the countryside surrounding his hometown of Provo, Utah. His boyhood experiences in the wild compelled him to become a painter... to recreate those "magic moments."

Coleman received his formal art training at Brigham Young University and at the San Francisco Art Institute. He has exhibited in numerous gallery shows, including a one-person show at the Kennedy Galleries in New York, and was given a retrospective at the Buffalo Bill Historical Center. He is also a regular exhibitor in the Celebrity Exhibition, Biltmore Gallery, Los Angeles, California. He is listed in "Who's Who in American Art" and has been featured in several major magazines: Southwest Art, Sports Afield, and Gray's Sporting Journal, to name a few.

Michael Coleman is a rare and fascinating combination of outdoorsman, wildlife artist, and big game hunter. Having travelled extensively throughout North America on hunting and fishing expeditions, he knows his subjects well. His careful observations, along with sketches done in the field, result in unusually accurate recreations of the landscape and the wildlife that abounds there.



Rod Lingren, sculptor of miniature and medium-size western and wildlife bronzes. Born in Santa Barbara, California and raised in the outskirts of San Diego, Lingren "drew my way through school, instead of spelling, arithmetic, and English. My time was spent drawing"—while the other kids were playing. At age thirteen, he took a college-level class in print-making. At sixteen, he accompanied his father on a European tour taking in the Near East and India. The result of this traveling was exposure to the finest art that our culture has to offer. "Having seen Michelangelo, Titian, and Cellini gives me a very high goal and expectation when creating a sculpture," says Lingren. Rod is presently working out of his studio in Alpine, California. His work is included in private collections around the world. His most famous commission was a bust of President Reagan which is currently in the White House.

Profile of a Grizzly



What's in a Grizzly?

Grizzlies once ranged across most of western North America, but their present range has shrunk to, basically, extreme western Canada and Alaska. The grizzly is one animal that has never been able to adapt to man's ways, and, since the Lewis and Clark Expedition, the bear has been pushed ever farther into the fast dwindling true wilderness areas.

Today, the remotest areas of Wyoming, Montana, Washington, Idaho, and Colorado still harbor a very few grizzlies, with the majority of these in Yellowstone and Glacier national parks. Total population in the lower 48 is believed to be about 700. It is also thought that perhaps 25 Mexican grizzlies still exist in the rugged Chihuahua Mountains.

The remainder of this continent's 25,000 or so grizzlies are found in Alaska, the Yukon, British Columbia, Alberta, and the Northwest Territories. Alaska has perhaps the largest population, estimated from 7,000 to 10,000, but northern British Columbia probably has the most dense grizzly population remaining.

Like all bears, the grizzly varies considerably in both size and coloration. An average mature bear will weigh around 500 pounds, but large specimens will tip the scales up to 800 pounds or so, and grizzlies over 1,100 pounds have been recorded.

The grizzly is a low-slung, short-legged animal, usually attaining a height of about 3½ feet at the shoulder. Nose-to-tail length is normally from 4½ to 7½ feet. The grizzly's shoulder hump, wide dished face, and bowed front legs make it immediately distinguishable from the smaller black bear. Both front and rear claws are much longer than those of the black bear, with the front claws particularly exaggerated for digging. A grizzly's front claws often exceed four inches in length.

A grizzly's coat is long and silky just before and after hibernation, but, like all bears, can be patchy and rubbed during the hot summer months. Coloration can vary from honey-blond to nearly black, and practically any variation in between. The unique "silvertip" coloration found on some bears is caused by white-tipped guard hairs on back and shoulders. This "grizzled" appearance accounts for the bear's name, but is not found on all individuals.

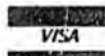
The grizzly stands for all that is wild, free, and untamed in our too-civilized world. It will never live side by side with man, and as our wilderness areas shrink, so will our remaining populations of this mighty bear. Today, hunting has no effect on its populations, but energy and resource development does. What will the future hold for the grizzly? No one can say.


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SOVEREIGNTY! Who Benefits?

by Ed Grasser

This spring in Congress, our Delegation introduced a package of legislation, H.R. 4162 and S.R. 2065, which will in effect forever split the peoples of Alaska. Specifically, certain portions of this legislation to amend the 1971 Alaska Native Claims Settlement Act will "roll back" or reinstate opportunities for Alaskan Natives to obtain sovereign tribal status. For those of you who may not grasp the implications of this move, imagine Alaska being carved up into regions controlled by native governments of equal status to the State of Alaska. This may be an erroneous assumption, but it would seem most people would adamantly oppose giving in to that kind of control over their public resources.

One of the problems we seem to be facing is the conception, or cop out, by other members of Congress to allow this to slide through as "Alaskan Legislation." The tragedy is these people are supposedly representing the citizens

of the United States. Doesn't it seem rather strange that when the Alaskan Delegation and the people of Alaska wanted to open up more parklands set aside in ANILCA to hunting under S. 49, the rest of Congress opposed it as not being in the best interest of the people of this country? Why then is it okay to lock up forever public resources, not under the control of U.S. or State authority, but under the rule of a special interest minority?

Perhaps the greatest tragedy in this whole scenario is the complete eradication of any avenue for reconciliation between Alaska's peoples. In 1971, we gave to the aboriginal peoples of Alaska the most magnanimous settlement ever extended to an assimilated group of people. Part of that settlement was supposed to extinguish some of the problems which would occur if they had been placed on reservations, and given "tribal" status. Now we find that perhaps that won't be the case and in fact have been threatened with legis-

lation that will accomplish the opposite of ANCSA's original intent. The subsistence issue given to Alaskans under ANILCA has already caused bitter splits in Alaska's population. One must really wonder about the wisdom of continuing along this path by extending management level control through separate government status for a small portion of Alaska's population.

It is truly unfortunate that Alaska's Congressional Delegation would introduce such legislation. It is even more unfortunate that other members of Congress would condone it. The people who represent the citizens of this country have an obligation to protect the public welfare. Clearly, some of the provisions of the proposed amendments to ANCSA do not meet that criteria and are therefore unacceptable. If Congress passes this legislation, they will have seriously breached their obligation to provide the kind of leadership necessary if this nation is to grow and remain united.

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Sportsmen Lack Representation at Commission Meetings

Hunting, fishing and trapping interests must be better represented at future meetings of the President's Commission on Americans Outdoors if they are to receive their fair share of attention as plans are made to maintain and improve outdoor opportunities in America.

WLFA National Affairs Director Carol Porter recently attended the first set of commission meetings. She reported that hunting, fishing and trapping spokesmen were largely absent from the meetings. Other interests, including camping, canoeing, hiking and bicycling attended and were heard by the commission.

The commission was established by President Reagan to review outdoor recreation opportunities available to the American public. It will hold several

public hearings across the country during 1986. At the end of the year, the commission will make recommendations to ensure opportunities for the future.

"Sportsmen will really be dropping the ball if they don't take advantage of this opportunity to voice their needs and concerns for the future of hunting, fishing and trapping in this country," said Porter. "The President Commission on Americans Outdoors can do a lot to enhance the future of outdoor sports—but it's up to sportsmen to let the commissioners know what they want."

A schedule of public hearings was made available by the commission early in 1986.

Steel Shot Suit Filed

A lawsuit to ban the use of lead shot for waterfowl hunting nationwide has been filed in federal court against the U.S. Department of the Interior.

Depending on which side of the ongoing steel vs. lead shot controversy they're on, reactions from environmentalists and conservationists range from jubilation to confusion to outright anger.

The action was filed in the Sacramento federal district court. The plaintiff, the National Wildlife Federation, intends the case to end the fifteen year debate over use of steel shot for waterfowling.

The suit was filed at an inopportune time, according to some conservationists, the ammunition manufacturers and the U.S. Fish and Wildlife Service. Plans have been in the works to phase-in non-toxic shot over a wider range of lead shot "hot spots" over the next five years.

The Wildlife Legislative Fund of America has recently retained the world-renowned scientific research organization, Battelle Memorial Institute, to identify an alternative to steel as a non-toxic shot. Battelle's directive has been to find a substitute which will be ballistically similar to lead, but lack lead's toxicity.

The National Rifle Association has joined WLFA in the effort, helping to pay for the research.

"We know full well that attempts have been made in the past to identify non-toxic shot substitutes," said WLFA President Jim Glass. "However, the most recent attempts occurred several years ago. Evolving metallurgy technology may just be able to help in the development of a good, effective substitute. Certainly, the scientists at Battelle have given us a strong indication that a substitute can be found."

Glass said that the lead vs. steel controversy has been among the most divisive of all inter-sportsmen disputes in history.

"It's our intention to try and bring this in-fighting to an end," he said. "Squabbles like this divert sportsmen's attention from other important issues. Let's find a non-toxic substitute and get this controversy behind us."



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HUNTER'S BOOKSHELF

by Scott Hebertson

Safari Africa by SCI

As I meet and get to know more Alaskans interested in hunting books I hear the same comment from those lucky enough to have hunted in Africa, "Once Africa has gotten in your blood, you have to keep going back." I regret I have not gone yet, but I feel like I am a little closer after reading "Safari Africa."

This is a Safari Club International special edition on current African hunting conditions. The editors did a very nice job in formatting this edition with lots of color pictures and a good mix in story types. There are the usual articles about hunting Bongo, Kudu, and Elephants, but the two sections I liked best were written by Craig Boddington and Ellen Enzler Herring.

Craig Boddington wrote a special supplement on the different political situations and hunting conditions in various areas of Africa. The supplement is laid out by the different regions and list the species available, so you can plan your

safari around the current political climate.

I was most impressed with Ellen Enzler Herring's article on the history of African hunting literature. It was very well written and informative. She traces the history of African hunting literature in a storyline manner, from the early Portuguese and Spanish explorers to the current trend of reprints.

At \$15.95, I consider this book overpriced especially when you consider it is a paperback with only 128 pages. But I do have to admit I bought one, and enjoyed it enough to place it in my library.

Editor's Note: Scott Hebertson, Sustaining member of APHA, owns and operates Alaskan Big Game Books which deals in rare and out-of-print hunting books. For further information contact him at 9410 Kylie Circle, Anchorage, Alaska 99515.

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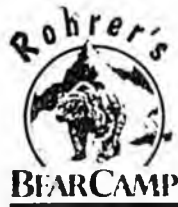
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THE HUNTERS' GALLERY

This page contains photographs from APHA members submitted to our office for publication. We welcome photos from APHA members. Please send them to APHA, Attn. Solberg, Box 451, Talkeetna, Alaska 99676. Include a descriptive caption with each photo.



Paul Richter of Stout, OH with his 9'6" brown bear taken in 1985 with guide/outfitter Tony Lee.



Peggy Brady with her double shovel caribou taken with guide/outfitter Rich Guthrie.



Jay Wick with his 24 1/2" grizzly. Guide/outfitter Kelly Vrem.



Naomi Rivers shown with her 37" ram taken with guide/outfitter Larry Rivers.



Doug Fritz of Scottsdale, AZ pictured with his 41" ram taken with guide/outfitter Larry Rivers.



John Gillette's moose horns scoring 236 SCI points and 222 B&C points. Taken with guide/outfitter Kelly Vrem.



"The results" from one week of moose and caribou hunting at Chris Goll's Rainbow River Lodge.



Randy Jenkins of Henderson, KY pictured with his 10'1" brown bear. Guide/outfitter Tony Lee.



Lance Lupton of Mesa, AZ shown with his beautiful caribou taken with guide/outfitter Dick Gunlogson.



Associate Member, Ron Raykowski of Juneau pictured with his 41" ram taken during a snow-storm.



Vern Child and Darrell Mower of Syracuse, UT with Darrell's "opening day" brown bear. Guide and outfitter Chris Goll.



Mrs. Dale Clark of Dallas, TX. Salmon fishing, 1985 AK Peninsula Caribou-Salmon Fishing and Bird Shooting Expedition.



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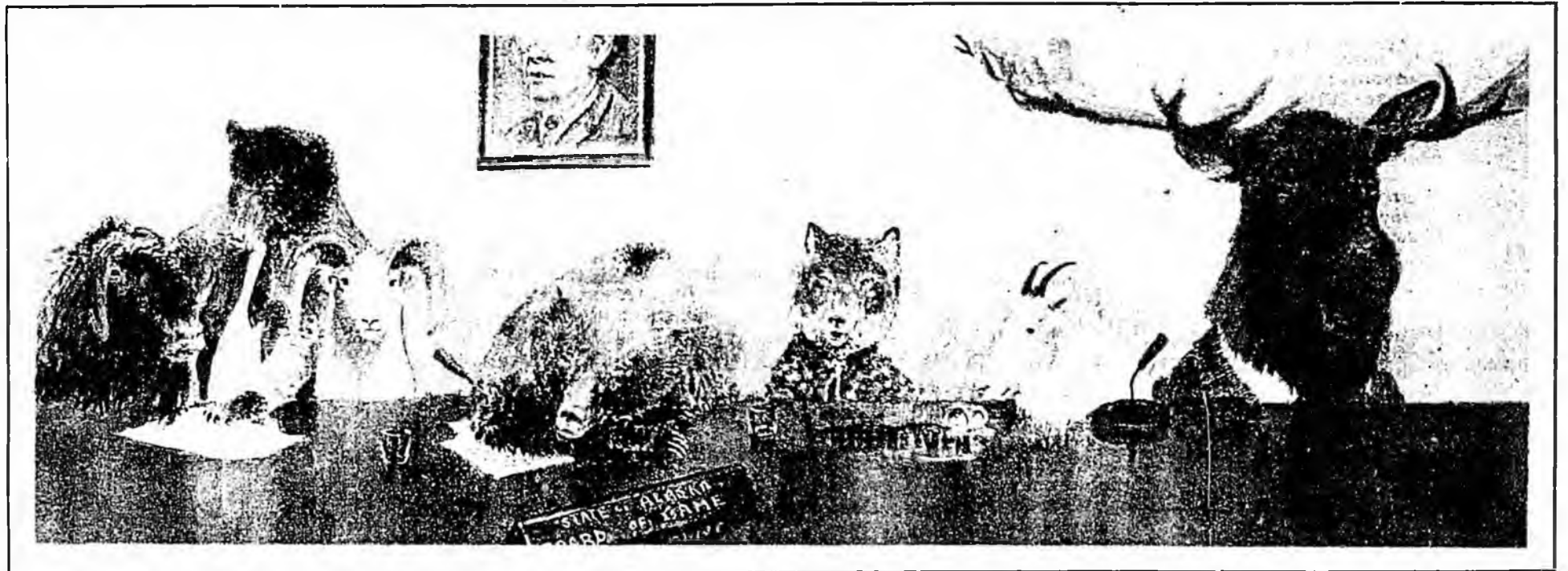


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AOC lobby efforts are supported by sales of Sandy Jamieson's 'Board of Game'. See page 7 for the limited edition print order form.

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Jamieson has made 200 prints of the "Board of Game" available as Alaska

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Official Publication Of The:
ALASKA FISH AND WILDLIFE FEDERATION AND OUTDOOR COUNCIL
ALASKA FISH AND WILDLIFE CONSERVATION FUND

APRIL - JUNE 1988

Amendments to ANCSA:

Republican leadership mixed on "1991"

Republican leaders in Alaska are not all of one mind on proposed amendments to the Alaska Native Claims Settlement Act (ANCSA).

A package of amendments to the 1971 Act has been introduced into Congress by Alaskan Senators Stevens and Murkowski and Representative Young, all of whom are Republicans.

State leaders in the Republican Party oppose certain provisions of the amendments and have produced a series of letters, resolutions, advertisements and opinion articles expressing their views. Their main concern is that the amendments would strengthen legal arguments for Alaska Native sovereignty.

Meanwhile, the Alaska Federation of Natives has staged an intensive lobby effort in Washington D.C. to support the amendment package, commonly known as the "1991 amendments". The lengthy amendment package makes significant changes to the original act.

Republican districts' 8 and 10 chairmen Wayne Ross and Cheri Jacobus, both Anchorage attorneys, sent an eight page letter to Alaska's Congressional delegation

urging them to withdraw their support for certain sections of the amendment package.

"DO NOT PASS THIS LEGISLATION IN ITS PRESENT FORM", wrote Jacobus and Ross. "The amendments that you and your colleagues have introduced would create the type of racial tensions that this country has not seen since the 1950's and 1960's."

Ross and Jacobus point to the current legal case in Tyonek Village. The village, which receives a substantial amount of state funding, "went to Federal District Court to evict and permanently enjoin white people from living in the village of Tyonek and to enjoin Native members from renting to whites!" They set this as an example of the type of thing that will proliferate in the state if the proposed legislation is passed.

Republicans in Fairbanks' District 21 approved a resolution obviously aimed at the brewing native sovereignty issue. The Republican district resolved that "all public officials have responsibility to Alaska's people and resources to resist strongly all moves for sovereignty."

The resolution will be considered by delegates to the Republican State Convention in

mid-May, says district chairman Brenda Wilcox. The district resolution recognizes that various private entities in Alaska are advocating self-governance, including the control and management of resources and the powers of taxation, and notes that lands conveyed pursuant to the 1971 Alaska Native Claims Settlement Act clearly were not intended to be held in trust by the federal government for Alaska natives.

In Fairbanks Republican District 20, chairman Judy Reece confirmed that committee members have expressed their strong reservations regarding the ANCSA amendments by letter to the Congressional delegation.

A recent ad in the *Fairbanks Daily News-Miner*, cosponsored by former republican state legislator Bob Bettisworth, questions the value of the "1991 amendments."

Likewise, Tom Fink, former Republican legislator, was severely critical of the amendments in a March 15th *Anchorage Times* opinion column. Fink wrote that the "amendments are not in the best interests of the natives or all the rest of the citizens of the state of Alaska" because individual stockholders' rights would be given to the regional corporate management. Fink also claimed the amendments would reopen the sovereignty issue which ANCSA had foreclosed.

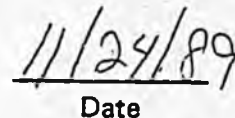




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Signature of Camera Operator


Date

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STATE OF ALASKA

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

OFFICE OF THE ADJUTANT GENERAL

Juneau
BILL SHEFFIELD, GOVERNOR

FRONTIER BUILDING
SUITE 620
3601 C STREET
ANCHORAGE, ALASKA 99503-5989
PHONE: (907) 243-0656
AUTOVON: 626-1444

19 December 1985

Honorable Arliss Sturgulewski
Alaska Senate
2957 Sheldon Jackson
Anchorage, AK 99508

Dear Senator Sturgulewski:

I would like to take this opportunity to bring you up to date on what the Department of Military and Veterans Affairs (DMVA) is doing for the State and more specific, your election district. The benefits and fiscal impacts which are realized from this Department are very significant and the best part is, that the State only contributes about 10% of the overall cost.

The DMVA provides employment for more than 800 full-time employees and 3,500 part-timers or National Guard personnel throughout Alaska. The combined annual payroll is \$42.3 million. DMVA spent more than \$37 million during FY 85 within the Anchorage Bowl area.

Although the Army and Air National Guard participate in numerous community projects, they are most visible in times of state crisis--particularly natural disasters. During 1985, this Department rendered disaster assistance to 35 Alaska communities. The National Guard and Naval Militia continually train for their federal military mobilization missions and this federally funded training and discipline they receive adequately prepares them to assist in natural disasters. The Alaska Division of Emergency Services (ADES), within the DMVA, is the overall State coordinating office to professionally address State emergency situations. ADES stands ready to help communities with response and recovery assistance to natural and man-made disasters, and also in local training and planning for disaster response and recovery. In the past year 3,500 people were trained in disaster management by this DMVA division. This local training program has paid large dividends in the form of relatively low property damage (and no loss of life) as witnessed in the 1985 spring floods which occurred along rivers in interior Alaska. It was comforting to see the positive results of this disaster management training. Our communities were considerably better able to prepare themselves due to our flood control watch and warning training programs.

102307

The weekend training that our National Guard and Naval Militia personnel receive is nearly always valuable to the member's civilian employer. The specialized training that many of them receive would cost thousands of dollars to obtain in the private sector. In 1985, the Army Guard will have spent \$15,000 and the Air Guard will have spent \$23,000, on an average, to support the training of each of its members. Most of these dollars go directly to job skill training.

A little known fact regarding the number of veterans residing in Alaska is that Alaska has the highest per capita veterans population in the nation--67,000. DMVA has undertaken an effective service program of "veteran advocacy and assistance," which has served 3,500 veterans in the last two years many of whom had wide-ranging concerns and problems.

For a small Department, you will probably agree that the economic impact and benefits to the State are substantial. DMVA records for your election district have been reviewed. You should find this information very interesting and revealing.

Sixteen hundred forty-five part-time Guardsmen and 565 full-time individuals were employed during FY 85 in Senate District F. Additionally, \$490,000 was spent on armory construction/improvements and an additional \$539,000 was paid for other construction projects. Further expenditures were over \$496,000 on utilities, \$275,000 on communications, \$90,000 for veterans death benefits, \$1.4 million on contracts, \$219,000 on commercial transportation, and \$3.2 million on vehicle fuels and AVGAS. Another \$2.5 million was spent on other projects and benefits within the Department.

DMVA made 15 equipment loans to non-profit agencies and civic groups in support of their activities during FY 85. The National Guard was a key support agency during the Walk for Hope, provided administrative storage at Camp Carroll during the Bartlett High School asbestos removal project, constructed a salmon viewing platform on Eagle River and aided the Boy Scouts at Camp Carsuch.

In conclusion, I hope this letter has better informed you to see the DMVA as a very necessary public service necessity which is tied to Alaska's heritage, our national defense and betterment of people in general. If the contents of this letter generates any further questions or the DMVA can provide any further service or information to you, please let us know. In the meantime I would like to wish you a very Happy Holiday Season, and a smooth, productive, and rewarding 1986 legislative session.

Sincerely,



EDWARD G. PAGANO
Major General, AK NG
The Adjutant General



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I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

11/24/89
Date

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Alaska State Legislature

Fourteenth Legislature — Second Session

Senate Calendar

MONDAY
March 3, 1986
11:00 a.m.

Official Business of the Senate

Fiftieth Legislative Day

Chaplain: Pastor Joseph Filancia Jr., Assembly of God Church

SENATE BILLS IN SECOND READING

SB 309	Royalty value of a natural gas lease on state land eff. date Resources offered CS, zero fiscal note pg 1885 "Royalty gas contracts _____ eff. date" Rules offered CS pg 1953 "Royalty gas contracts; _____ eff. date" Held from 2/28
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CITATIONS

In Memoriam - Fletcher Fritz Gregg, Sr.
by Senator Ferguson

In Memoriam - Justin Maile
by Representatives Navarre, Marrou;
Senators Paul Fischer and DeVries

Publication Notice

In Memoriam - Maurice L. Jackson by Representatives Navarre and Marrou

{ All In kind sales require legislative review - this bill would not change that.

Please note starred (*) change in floor speech.

~~Fairbanks~~
~~to be used to establish~~

14-3
Halter
Halter
Halter

(1) interest
(2) also kind
may be below market
(3) in value
at contract price

15-2
Paul
Jay

Original sponsors: Faiks, Kelly and V.Fischer

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SENATE BILL NO. 309 (Rules)

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 royalty gas contracts; and pro-
7 viding for an effective date."

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

9 * Section 1. FINDINGS. (a) The legislature finds that the best inter-
10 est of the state will be served if the commissioner of natural resources is
11 authorized to establish the in-value royalty for gas sold to a gas or
12 electric utility by using the contract price between the lessee of the
13 state and the utility, whether or not the gas lease establishes a different
14 standard for the valuation and if the lessee and the utility are not re-
15 lated to each other. The legislature finds that this authorization should
16 apply prospectively and does not intend the authorization to apply to the
17 valuation for royalty purposes of gas sold by a lessee under a gas sales
18 contract entered into before the effective date of this Act.

19 (b) The legislature finds that it is also in the best interest of the
20 state to give the commissioner explicit discretionary authority to sell
21 royalty gas received in kind by the state to gas or electric utilities at a
22 price that is below market value.

23 (c) The legislature finds that the proper exercise of the discretion
24 conferred on the commissioner by this Act would support and complement the
25 other programs that assist the citizens of the state with their long-term
26 gas and electrical needs, including the power cost equalization program
27 under AS 44.83.162 - 44.83.165 and hydroelectric and other programs for the
28 generation of electricity.

29 (d) The legislature finds that the state should adopt a policy for

1 the sale of royalty gas to gas or electric utilities for in-state consumer
2 use and in-state generation of electricity that is fundamentally different
3 from the policies of the state for the sale of royalty oil and for the sale
4 of royalty gas for export from the state or for uses other than in-state
5 consumer use and in-state generation of electricity.

6 (e) The legislature finds it is in the state's best interest to
7 facilitate the financing and construction of a pipeline and increased gas
8 production from the Prudhoe Bay reservoir by establishing a procedure by
9 which the state could commit itself to a royalty valuation methodology for
10 as long as the state takes its royalty share of gas production in value.

11 * Sec. 2. AS 38.05.180 is amended by adding new subsections to read:

12 (aa) Within 90 days after the written request of a lessee of a
13 lease issued under this section, unless the commissioner makes a
14 written finding based on clear and convincing evidence that the con-
15 tract price is unreasonably low and that a prospective reduction in
16 royalty receipts would not be balanced by increased benefits to in-
17 state gas and electric consumers, the commissioner shall enter into an
18 agreement with the lessee to use the price for the gas established in
19 the contract between the lessee and a gas or electric utility, if the
20 lessee and the utility are not related in management, ownership, or
21 other aspect, as the value of the state's royalty share of gas produc-
22 tion sold by the lessee under the contract to the utility. In this
23 subsection

24 (1) "gas or electric utility" includes an electric coopera-
25 tive organized under AS 10.25, a municipal utility, and a gas or
26 electric utility regulated under AS 42.05; and

27 (2) "price for the gas established in the contract" in-
28 cludes tax reimbursement amounts, deliverability and other charges,
29 and other forms of consideration paid by the gas or electric utility

1 under the contract.

2 (bb) In the event of a contract between parties that are unrelat-
3 ed in management, ownership, or other aspect for the sale of gas from
4 Prudhoe Bay reservoir gas leases by means of delivery of the gas
5 through a pipeline for export out of the state, and within 90 days
6 after the written request of a lessee of a lease issued under this
7 section, unless the commissioner makes a written finding that the
8 contract price does not assure the maximum benefits to the people of
9 the state in return for the state's gas resources, the commissioner
10 shall enter into an agreement with the lessee to use the price for the
11 gas established in the gas sales contract as the value of the state's
12 royalty share of gas production sold by the lessee under the gas sales
13 contract. The lessee shall have the burden of providing all informa-
14 tion necessary for the commissioner to make an informed decision, and
15 shall provide clear and convincing evidence that the value of the gas
16 is reflected by the gas sales contract price rather than being attri-
17 buted to transportation, marketing, or other profit or cost centers.
18 In this subsection, "price for the gas established in the gas sales
19 contract" includes tax reimbursement amounts, deliverability and other
20 charges, and other forms of consideration received by the lessee under
21 the gas sales contract.

22 * Sec. 3. AS 38.05.183 is amended by adding a new subsection to read:

23 (h) The commissioner may enter into a contract to sell royalty
24 gas taken in kind by the state to a gas or electric utility at less
25 than the market value of the royalty gas if the commissioner, after
26 considering the consumer benefits, other benefits, and detriments of
27 the sale, makes a written finding that the sale is in the best inter-
28 est of the state. In this subsection, "gas or electric utility"
29 includes an electric cooperative organized under AS 10.25, a municipal

Not in scope
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1 utility, and a gas or electric utility regulated under AS 42.05.

2 * Sec. 4. AS 38.05.810(a) is amended to read:

3 (a) Except as otherwise provided in AS 38.05.183(h), the [THE]
4 lease, sale, or other disposal of state land or resources may be made
5 to a state or federal agency or political subdivision, or the lease,
6 sale, or disposal of coal deposits suitable for mining may be made to
7 a utility owned and operated by a government agency or nonprofit
8 cooperative association organized to participate under the Federal
9 Rural Electrification Act for the purpose of generating electric power
10 and energy or the production of process steam, or both, for less than
11 the appraised value as determined by the director and approved by the
12 commissioner to be fair and proper and in the best interests of the
13 public, with due consideration given to the nature of the public
14 services or function rendered by the agency, subdivision, or utility
15 making application, and of the terms of the grant under which the land
16 was acquired by the state.

17 * Sec. 5. AS 38.05.180(aa), enacted by sec. 2 of this Act, applies to
18 agreements to establish for a lease issued under AS 38.05.180 the in-value
19 royalties on gas production that is sold under a contract ~~entered into on~~
20 ~~or after the effective date~~ of this Act between the state's lessee and a
21 gas or electric utility.

22 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
23 10.070(c).
24
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29

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

March 3, 1986



The Honorable Joe P. Josephson
Alaska State Legislature
P. O. Box V
Juneau, AK 99811


Dear Senator Josephson:

CSSB 309, "An Act relating to royalty gas contracts; and providing for an effective date" will not affect the Legislature's ability to review and approve long term sales of royalty gas taken in-kind by the state.

If you have any question, please do not hesitate to call.

Sincerely,

HAROLD M. BROWN
ATTORNEY GENERAL

By: 
Mark P. Worcester
Assistant Attorney General

MPW/mw

~~_____~~

When the administration reevaluated the method which they used to value Cook Inlet Royalty gas, they said this was the fair and legally proper method of valuing the gas and that use of any other method would set dangerous legal precedents. At the end of last session, when the ^{consumer} impact of this decision had become obvious to the public, a number of bills were introduced on the subject.

When SB 309 came before the Senate Resources Committee, we worked very hard in the limited amount of time available. We dealt with the issues before us in a responsible manner. With the active cooperation of all the involved parties, the committee achieved a compromise that protected the state's interests while providing long-term price stability for southcentral and railbelt electric consumers.

Based on the Senate Resource Committee Substitute, Chugach Electric and the State have signed a settlement based on the passage of this bill. At the time, the committee was advised by the administration that any widening of the language would establish dangerous legal precedents, be bad public policy, and would be adamantly opposed.

After this bill passed out of Resources, I continued my involvement at the request of the interested parties and the administration. With the active involvement of all interested parties, ^{the Rules Committee} ~~a new draft~~ ^{a new draft} has been worked out which protects the



Tim says he needs your help in supporting Rules Committee action.

states interests, does not affect other oil and gas litigation, and will extend the benefits of price stability to customers of state regulated private gas utilities and also to a North Slope gas pipeline.

I think this is good legislation. It will be of benefit to customers of gas utilities and electric utilities that use gas generation, and it will help the chances of a North Slope gas pipeline. This legislation has been crafted in a limited amount of time but it has been carefully crafted and I urge your vote for it.

DNR 3-3-86

SUMMARY OF CSSB 309 (RULES)

The Bill will allow the state to provide certainty in royalty gas valuation for Alaska consumer uses and North Slope gas development.

Specifically, the Bill would:

- ° Authorize the Commissioner of the Department of Natural Resources to accept a contract price between a state lessee (gas producer) and a gas or electric utility as the value of the state's royalty share of production.
- ° Authorize the Commissioner of the Department of Natural Resources to sell the state's royalty gas to a gas or electric utility at a price below market value. The Legislature reviews long-term sales under existing law.
- ° Establish a royalty valuation procedure which will facilitate financing for a North Slope gas pipeline.

"Gas or electric utility" includes cooperative electric utilities (such as Chugach, Matanuska, Homer, rural coops, and Golden Valley Electric), municipal utilities (such as Anchorage Municipal Light and Power), and a gas utility regulated under AS 42.05 (such as Enstar).

The Act would apply only to future contracts between a lessee and a purchaser.

A preliminary settlement agreement between the Department of Natural Resources and the Board of Directors of Chugach Electric, which would settle pending litigation over the value of the state's royalty share of Beluga gas now purchased by Chugach at \$0.26/mcf, is contingent on passage of the bill. The preliminary settlement agreement sets the price of Beluga royalty gas under the existing Chugach contract at \$0.75/mcf.

Revenue Impact: Section 3 of the Bill, which authorizes the Commissioner to sell royalty gas taken in kind to a gas or electric utility at a price below market value, could result in lower state revenues in the future if this discretionary authority is exercised. The amounts of potential revenue loss cannot be precisely calculated, but would be identified at the time of the sale, when legislative review would occur. The state could also lose or gain revenue by any disparity between contract prices and market values, but this fiscal impact is not predictable.

Section-by-Section Analysis of CSSB 309 (Rules)

Section 1 of the Bill makes several findings:

- The best interest of the state will be served if the commissioner of Natural Resources is authorized to establish the in value royalty for gas sold to a gas or electric utility by using the contract price between the state lessee and the utility;
- It is in the best interest of the state to give the commissioner explicit discretionary authority to sell in kind royalty gas to a gas or electric utility at a price below market value;
- The proper exercise of discretion conferred by the Act will support and complement the other energy programs of the state;
- The state should adopt a policy for the sale of royalty gas to gas or electric utilities for in-state consumer use and in-state generation of electricity that is fundamentally different from the policies of the state for the sale of royalty oil and for the sale of royalty gas for export from the state or for uses other than in-state consumer use and in-state generation of electricity; and
- It is in the state's best interest to facilitate the financing and construction of a pipeline and increased gas production from the Prudhoe Bay reservoir by establishing a procedure by which the state could commit itself to a royalty valuation methodology for as long as the state takes its royalty share of gas production in value.

Section 2 adds new subsections to AS 38.05.180:

- Subsection (aa) provides that within 90 days after the written request of a lessee, unless the commissioner makes a written finding based on clear and convincing evidence that the contract price is unreasonably low and that a prospective reduction in royalty receipts would not be balanced by increased benefits to in-state gas and electric consumers, the commissioner shall enter into an agreement with the lessee to use the price established in a contract between the lessee and a gas or electric utility as the value of the state's royalty share of gas production, if the lessee and the utility are not related. "Gas or electric utility" includes an electric cooperative organized under AS 10.25, a municipal utility, and a gas or electric utility regulated under AS 42.05.
- Subsection (bb) provides that in the event of a contract between unrelated parties for the sale of gas from the Prudhoe Bay reservoir for delivery through a pipeline for export out of the state, the commissioner shall within 90 days after the written request of a lessee enter into an agreement with the lessee to use the price for gas established in the gas sales contract as the value of the state's royalty share of gas production, unless the

commissioner makes a written finding that the contract price does not assure the maximum benefits to the people of the state in return for the state's gas resources. The lessee shall have the burden of providing all information necessary for the commissioner to make an informed decision, and shall provide clear and convincing evidence that the value of the gas is reflected by the gas sales contract price rather than being attributed to transportation, marketing, or other profit or cost centers.

Section 3 adds a new subsection to AS 38.05.183:

- Subsection (h) provides that the commissioner may sell royalty gas taken in kind to a gas or electric utility at less than the market value of the gas, if the commissioner, after considering the consumer benefits, other benefits, and detriments of the sale, makes a written finding that the sale is in the best interest of the state. "Gas or electric utility" includes an electric cooperative organized under AS 10.25, a municipal utility, and a gas or electric utility regulated under AS 42.05.

Section 4 amends AS 38.05.810(a) to make it consistent with the other provisions of the Act.

Section 5 provides that the proposed AS 38.05.180(aa), which would be enacted by Section 2 of the Act, applies to agreements to establish the in value royalties on gas production that is sold under a contract entered into on or after the effective date of the act between the state's lessee and a gas or electric utility.

Section 6 provides an immediate effective date.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

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

The Honorable John Sackett
Co-Chair, Finance Committee
Alaska State Senate
Juneau, AK 99811

March 3, 1986

Dear Senator Sackett:

I am responding to your request for more information on the fiscal note and potential fiscal impact of CSSB 309 (Res), now before the Senate as CSSB 309 (Rules).

The fiscal note

The department has submitted a zero fiscal note for the bill, which will not directly affect the state's current royalty gas revenue stream. There are two reasons that it is not possible to identify future costs of the legislation:

- the department is not able to predict how often the new valuation mechanism will be applied in the future, nor can we predict future gas contract prices and quantities; and
- market values for Alaska natural gas (particularly Cook Inlet gas now sold for instate consumer uses and most immediately affected by the proposed statute) are unpredictable, as is the possible disparity (positive or negative) between contract price and market value.

Even though there is no direct fiscal impact that can be assigned to the bill, enactment of the legislation will indirectly affect state royalty income from existing production in Cook Inlet. The state has entered into an agreement with Chugach Electric to value the state's royalty share from Beluga Field production purchased by Chugach under existing contracts at \$0.75/mcf if the legislation passes. This value is one-half the state's January offer to settle the pricing dispute at \$1.50/mcf, which was rejected by the Beluga producers who sell to Chugach. If the dispute had been settled at \$1.50/mcf under existing state law, the

state would have received approximately \$1.9 million/year in new royalty income from the Beluga field. Settlement at \$0.75/mcf, as will occur if CSSB 309 (Rls) is passed, will increase state royalty revenues from Beluga production by about \$810,000/year, according to our calculations, because the state's share of this production is currently valued at \$0.21/mcf by the producers. This increase in state royalty revenues is less than would have been expected if 1) the state's \$1.50/mcf settlement offer had been accepted, or 2) the state had successfully pursued its legal arguments regarding the value of the state's royalty share under the existing lease terms, based on existing law.

Future costs to the State

As stated above, the department has submitted a zero fiscal note because it is unable to predict future market conditions and contract terms for Alaska natural gas. It is important for the Legislature to consider that market value in the future could either exceed or remain below long-term contract prices for instate consumer gas purchases. The present situation in the Beluga field is an example of how long-term contract prices (Chugach at an adjusted \$0.26/mcf and Enstar at an adjusted \$2.05/mcf) can be above or below "market value" simultaneously in the same field.

Section 2. The fiscal impacts of Section 2(aa) of CSSB 309 (Rls) will largely depend on future market and contract conditions in Cook Inlet, unless there is a commitment of North Slope natural gas by the producers for instate use. The natural gas market for instate energy use will be affected by the costs of thermal and hydroelectric energy alternatives, including new or expanded coal development; production from new or shut-in gas sources; geothermal development (which has been discussed in connection with Beluga coal development); hydroelectric construction; export projects for coal, gas, or oil; and the price of fuel oil and diesel as alternative fuel sources. There have been some projections of Cook Inlet gas prices by other agencies that this department has disputed on grounds that the Cook Inlet market remains largely controlled by local factors rather than world gas or oil prices or exports. If North Slope natural gas is brought to market its pricing and availability will also become an important factor in the fiscal impact of this bill (Section 2(bb)). Because the eventual marketing arrangements for Prudhoe Bay gas would

March 3, 1986

probably have to be less diverse and more stable than are marketing arrangements for Cook Inlet gas, it is likely that there would be less disparity between Prudhoe Bay contract price and market value, although the fiscal impact of accepting the contract price as the state's royalty value (given the magnitude of the Prudhoe Bay gas resource) might be larger, either positively or negatively affecting the state's revenues.

Section 3. This section gives the commissioner authority to make below-market-value gas sales for instate energy use. Because the Legislature reviews long-term royalty oil and gas contracts before their implementation by the Department, the fiscal impact of this section will be considered by future Legislatures reviewing such below-market-value gas sales by the state. Without knowledge of how often or at what cost the state will exercise this option, there is no way to estimate the fiscal impact of enacting this statute.

Please contact me if you have any further questions or comments. I am providing copies of this letter to other members of the Senate in anticipation of the floor debate on CSSB 309 (Rls) this morning. Thank you for your interest in this issue.

Sincerely,



Esther C. Wunnicke
Commissioner

cc: All Senators
Dr. Joyce Murphy, Chugach Electric

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

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

February 28, 1986

The Honorable Tim Kelly
Chair, Rules Committee
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Kelly:

I am writing with regard to an amendment to CSSB 309 (Res) proposed in the Rules Committee yesterday by Senator Coghill.

The Sheffield Administration is strongly committed to the development of our North Slope gas resources. We are willing to work with the Legislature and all interested groups in enhancing the development of our North Slope gas resources. The most recent estimates indicate that there are about 36 trillion cubic feet of gas known to exist under state lands on the North Slope. The state's royalty share of this gas is estimated to be about 4.5 trillion cubic feet.

It would be an enormous achievement to bring this gas to markets somewhere in the world, and the state has worked closely with lessees and transportation entities to see this accomplished.

The amendment before you, however, would not accomplish this purpose only. It has several major problems:

- the amendment is not limited to arms'-length contracts;
- only the language regarding findings restricts the amendment to North Slope gas, and, therefore, the amendment might affect other state gas royalties;
- the amendment does not allow the state to assess the adequacy of the royalty value of a tremendously valuable public resource;

February 28, 1986

- there is no assurance in the amendment that a contract would be structured to reflect the true value of the gas and of the royalty share; and
- the amendment does not assure that the citizens of the state will receive maximum benefits from the agreement to use the contract value.

With these questions and issues remaining, it is my recommendation to the Rules Committee and to other members of the Senate that such an amendment not be included in this bill, which has been crafted painstakingly to address the concerns of railbelt energy consumers.

While I would prefer to see the issues raised by Senator Coghill addressed in a separate bill, I believe that the attached language drafted by our attorneys would be in the best interests of the state and could be added to SB 309.

Please contact me if you have questions or comments. I urge the Committee to pass out the draft Rules Committee Substitute for SB 309 including amendments relating to gas utility contracts, and to consider the language that I have attached to address the North Slope gas transportation issue.

Sincerely,



Esther C. Wunnicke
Commissioner

cc: Senator Faiks
Senator Coghill

Attachment



Subsistence

STEPHEN McALPINE
LIEUTENANT GOVERNOR

STATE OF ALASKA

POUCH AA
JUNEAU 99811
(907) 465-3520

February 19, 1986

Many of us believed that the question of subsistence rights in rural Alaska was settled with the election of 1982. Since that time, a Supreme Court opinion has opened the question again. Today, a bill is locked up in the Alaska Senate which would again insure subsistence priority for rural Alaskans. I am writing to urge your assistance in helping pass this important law.

The question of subsistence priority is more than one of access to our state's fish and game. It is a question of our state's responsibility to assist in maintaining cultural distinctions which predate most Alaskan's arrival here by thousands of years. It is the responsibility of all of us to protect the rights of Alaskans who depend on fish and game for their daily food and to insure that they have priority access to this food source.

You can assist me in the passage of this legislation by writing letters and sending public opinion messages (they are free of charge) to members of the Alaska State Senate. With your assistance, we can again insure that the subsistence rights of our fellow Alaskans are protected.

Warmest regards,

A handwritten signature in cursive script, appearing to read "S. McAlpine".

Stephen McAlpine
Lieutenant Governor

Offered: 2/28/86

Original sponsors: Faiks, Kelly
and V.Fischer

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SENATE BILL NO. 309 (Rules)

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 royalty gas contracts; and pro-
7 viding for an effective date."

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

9 * Section 1. FINDINGS. (a) The legislature finds that the best inter-
10 est of the state will be served if the commissioner of natural resources is
11 authorized to establish the in-value royalty for gas sold to a gas or
12 electric utility by using the contract price between the lessee of the
13 state and the utility, whether or not the gas lease establishes a different
14 standard for the valuation and if the lessee and the utility are not re-
15 lated to each other. The legislature finds that this authorization should
16 apply prospectively and does not intend the authorization to apply to the
17 valuation for royalty purposes of gas sold by a lessee under a gas sales
18 contract entered into before the effective date of this Act.

19 (b) The legislature finds that it is also in the best interest of the
20 state to give the commissioner explicit discretionary authority to sell
21 royalty gas received in kind by the state to gas or electric utilities at a
22 price that is below market value.

23 (c) The legislature finds that the proper exercise of the discretion
24 conferred on the commissioner by this Act would support and complement the
25 other programs that assist the citizens of the state with their long-term
26 gas and electrical needs, including the power cost equalization program
27 under AS 44.83.162 - 44.83.165 and hydroelectric and other programs for the
28 generation of electricity.

29 (d) The legislature finds that the state should adopt a policy for
S

1 the sale of royalty gas to gas or electric utilities for in-state consumer
2 use and in-state generation of electricity that is fundamentally different
3 from the policies of the state for the sale of royalty oil and for the sale
4 of royalty gas for export from the state or for uses other than in-state
5 consumer use and in-state generation of electricity.

6 (e) The legislature finds it is in the state's best interest to
7 facilitate the financing and construction of a pipeline and increased gas
8 production from the Prudhoe Bay reservoir by establishing a procedure by
9 which the state could commit itself to a royalty valuation methodology for
10 as long as the state takes its royalty share of gas production in value.

11 * Sec. 2. AS 38.05.180 is amended by adding new subsections to read:

12 (aa) Within 90 days after the written request of a lessee of a
13 lease issued under this section, unless the commissioner makes a
14 written finding based on clear and convincing evidence that the con-
15 tract price is unreasonably low and that a prospective reduction in
16 royalty receipts would not be balanced by increased benefits to in-
17 state gas and electric consumers, the commissioner shall enter into an
18 agreement with the lessee to use the price for the gas established in
19 the contract between the lessee and a gas or electric utility, if the
20 lessee and the utility are not related in management, ownership, or
21 other aspect, as the value of the state's royalty share of gas produc-
22 tion sold by the lessee under the contract to the utility. In this
23 subsection

24 (1) "gas or electric utility" includes an electric coopera-
25 tive organized under AS 10.25, a municipal utility, and a gas or
26 electric utility regulated under AS 42.05; and

27 (2) "price for the gas established in the contract" in-
28 cludes tax reimbursement amounts, deliverability and other charges,
29 and other forms of consideration paid by the gas or electric utility

1 under the contract.

2 (bb) In the event of a contract between parties that are unrelat-
3 ed in management, ownership, or other aspect for the sale of gas from
4 Prudhoe Bay reservoir gas leases by means of delivery of the gas
5 through a pipeline for export out of the state, and within 90 days
6 after the written request of a lessee of a lease issued under this
7 section, unless the commissioner makes a written finding that the
8 contract price does not assure the maximum benefits to the people of
9 the state in return for the state's gas resources, the commissioner
10 shall enter into an agreement with the lessee to use the price for the
11 gas established in the gas sales contract as the value of the state's
12 royalty share of gas production sold by the lessee under the gas sales
13 contract. The lessee shall have the burden of providing all informa-
14 tion necessary for the commissioner to make an informed decision, and
15 shall provide clear and convincing evidence that the value of the gas
16 is reflected by the gas sales contract price rather than being attri-
17 buted to transportation, marketing, or other profit or cost centers.
18 In this subsection, "price for the gas established in the gas sales
19 contract" includes tax reimbursement amounts, deliverability and other
20 charges, and other forms of consideration received by the lessee under
21 the gas sales contract.

22 * Sec. 3. AS 38.05.183 is amended by adding a new subsection to read:

23 (h) The commissioner may enter into a contract to sell royalty
24 gas taken in kind by the state to a gas or electric utility at less
25 than the market value of the royalty gas if the commissioner, after
26 considering the consumer benefits, other benefits, and detriments of
27 the sale, makes a written finding that the sale is in the best inter-
28 est of the state. In this subsection, "gas or electric utility"
29 includes an electric cooperative organized under AS 10.25, a municipal

1 utility, and a gas or electric utility regulated under AS 42.05.

2 * Sec. 4. AS 38.05.810(a) is amended to read:

3 (a) Except as otherwise provided in AS 38.05.183(h), the [THE]
4 lease, sale, or other disposal of state land or resources may be made
5 to a state or federal agency or political subdivision, or the lease,
6 sale, or disposal of coal deposits suitable for mining may be made to
7 a utility owned and operated by a government agency or nonprofit
8 cooperative association organized to participate under the Federal
9 Rural Electrification Act for the purpose of generating electric power
10 and energy or the production of process steam, or both, for less than
11 the appraised value as determined by the director and approved by the
12 commissioner to be fair and proper and in the best interests of the
13 public, with due consideration given to the nature of the public
14 services or function rendered by the agency, subdivision, or utility
15 making application, and of the terms of the grant under which the land
16 was acquired by the state.

17 * Sec. 5. AS 38.05.180(aa), enacted by sec. 2 of this Act, applies to
18 agreements to establish for a lease issued under AS 38.05.180 the in-value
19 royalties on gas production that is sold under a contract entered into on
20 or after the effective date of this Act between the state's lessee and a
21 gas or electric utility.

22 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
23 10.070(c).

SENATE BILL NO. 309 by Senators Faiks, Kelly, and Vic Fischer, entitled:

"An Act relating to the royalty value of a natural gas lease on state land; and providing for an effective date."

was read the first time and referred to the Resources Committee.

The Resources Committee considered SENATE BILL NO. 309 (royalty value of a natural gas lease on state land; efd) and recommended it be replaced with

CS FOR SENATE BILL NO. 309 (RES), entitled:

"An Act relating to royalty gas contracts; and providing for an effective date."

and a majority do pass. The report was signed by Senator Sturgulewski, Chairman and concurred in by Senators Coghill, Vic Fischer and Fahrenkamp. Senators Halford, Eliason and Zharoff signed "no recommendation".

Fiscal Note is zero. Analysis from Department of Natural Resources: "The valuation provisions of this bill will be applied only for future long-term gas contracts, and there is no way to estimate any fiscal impact on the state. Any revenue losses should be balanced by savings in utility costs for consumers, according to the bill."

SENATE BILL NO. 309 was referred to the Rules Committee.

The Rules Committee considered SENATE BILL NO. 309 (royalty value of a natural gas lease on state land; efd) and recommended it be replaced with

CS FOR SENATE BILL NO. 309 (RLS); entitled:

"An Act relating to royalty gas contracts; and providing for an effective date."

and calendar February 28. The report was signed by Senator Kelly, Chairman and concurred in by Senators Coghill, Faiks, Bennett and Josephson.

SENATE BILL NO. 309 is on the calendar.

SENATE BILL NO. 309 (royalty value of a natural gas lease on state land; efd) was read the second time.

Senator Kelly moved and asked unanimous consent that SENATE BILL NO. 309 be held in second reading to the March 3 calendar. Without objection, it was so ordered.

SENATE BILL NO. 309 (royalty value of a natural gas lease on state land; efd) which was read the second time and held on February 28 was before the Senate in second reading.

Senator Faiks moved and asked unanimous consent for the adoption of the Rules Committee Substitute offered on page 1953. Senator Kerttula objected.

The question being: "Shall the Rules Committee Substitute be adopted? The roll was taken with the following result:

SB 309 MOTION RLS CS

Yeas:	15	Abood, Bennett, Coghill, DeVries, Fahrenkamp, Faiks, Fischer Vic, Halford, Josephson, Kelly, Rodey, Sackett, Sturgulewski, Zharoff, Ziegler
Nays:	2	Fischer Paul, Kerttula
Excused:	1	Ferguson
Absent:	2	Eliason, Ray

and so, (CS FOR SENATE BILL NO. 309 (RLS)) (royalty gas contracts; efd) was adopted.

CS FOR SENATE BILL NO. 309 (RLS) was read the second time.

Senator Halford moved and asked unanimous consent that CS FOR SENATE BILL NO. 309 (RLS) be considered engrossed, advanced to third reading and placed on final passage. Without objection, it was so ordered.

CS FOR SENATE BILL NO. 309 (RLS) was read the third time.

The question being: "Shall CS FOR SENATE BILL NO. 309 (RLS) (royalty gas contracts; efd) pass the Senate?" The roll was taken with the following result:

CS SB 309 RLS 3RD

Yeas: 14 Abood, Bennett, Coghill, DeVries,
Fahrenkamp, Faiks, Fischer Vic,
Josephson, Kelly, Rodey, Sackett,
Sturgulewski, Zharoff, Ziegler

Nays: 3 Fischer Paul, Halford, Kerttula

Excused: 1 Ferguson

Absent: 2 Eliason, Ray

and so, CS FOR SENATE BILL NO. 309 (RLS) passed the Senate.

Senator Halford moved and asked unanimous consent that the vote on the passage of the bill be considered the vote on the effective date clause. Without objection, it was so ordered.

Senator Kerttula gave notice of reconsideration.

COMMITTEE REPORT
SENATE

FURTHER:

5/4/85

Date 2/17/86

Mr. President

The Committee on RESOURCES considered SB 309

royalty value of a natural gas lease on state land; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 309 (Res)
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

[Signature]

Betty Sakrenkamp

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]

[Signature]

[Signature]
Chairman

[Signature]
Chairman recommendation

STATE OF ALASKA 1986 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : 2/20/86

REQUEST

Bill/Resolution No. : CSSB 309 (Res)
 Title : Royalty gas contracts

 Sponsor : Faiks
 Requestor : Senate Resources
 Date of Request : 2/19/86

FISCAL DETAIL

Agency Affected : Natural Resources
 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	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

The valuation provisions of this bill will be applied only for future long-term gas contracts, and there is no way to estimate any fiscal impact on the state. Any revenue losses should be balanced by savings in utility costs for consumers, according to the bill.

Prepared by : Ned Farquhar Phone : 465-2400
 Division : Commissioner's Office Date : 2/20/86

Approved by Commissioner : *Lester C. Winnick* Date : 2/20/86
 Agency : Natural Resources

Distribution (by Agency preparing fiscal note) :

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

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

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

May 12, 1986

The Honorable Jan Faiks
The Honorable Tim Kelly
Alaska State Senate
P.O. Box V
Juneau, AK 99811

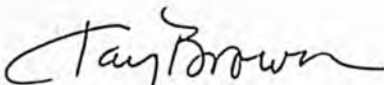
Dear Senators,

Attached for your information is a brief comparison of the differences in the House CS for CS for Senate Bill 309 (Rules), relating to royalty gas contracts, with the Senate-passed version of the bill.

We support the version passed by the House this morning, and urge your concurrence in the House amendments.

If you have any questions about the amendments made by the House, please feel free to contact me.

Sincerely,



Kay Brown
Director

Comparison of House Rules CS and Senate Rules CS for SB 309

Alaska Department of Natural Resources

	<u>House Rules CS</u>	<u>Senate Rules CS</u>
Section 1:	shortened findings	
Section 2:	rewrote (aa) but substance is unchanged	
	put definitions into (bb)	definitions part of (aa)
	added so-called "common carrier" amendment (page 2, lines 11-16), which will require Enstar to operate as common carrier pipeline in order to obtain the benefits of the legislation. (Enstar has not objected to this provision.)	
	added exception for Mental Health and University lands at request of DNR and Dept. of Law. Royalty gas production from these lands would be valued under the lease form and not under (aa).	
	deleted provision regarding valuation of North Slope royalty gas. (Provision deleted at request of Yukon Pacific.)	Contains provision for NS gas valuation.
Section 3:	Provides that, upon legislative approval, the commissioner may sell in kind royalty gas to a gas or electric utility "at a negotiated price." (Legislative approval procedures are already provided in AS 38.06.055.)	Similar provision; price may be "less than market value."
Section 4:	Same in both versions.	
Section 5:	Same in both versions.	
Section 6:	Same in both versions.	

II

FAILED 17-22
ON FLOOR OF HOUSE

LETTER OF INTENT

TO HCS CS SB 309 (Rules)

HCS CS SB 309 (Rules) sets out the circumstances under which the Commissioner of Natural Resources is required to use the contract price as the value of the state's royalty gas share, when the contract involves a regulated gas or electric utility. The bill, is intended to specify only those circumstances under which the Commissioner "shall" accept the contract price. It is not intended, in any way, to limit the Commissioner's discretion to use the price term of a contract entered into by entities other than gas or electric utilities.

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

Revision Date : 5-9-86

REQUEST

Bill/Resolution No. : CSCSSB 309 (Finance)
 Title : An Act relating to royalty gas contracts
 Sponsor : Faiks
 Requestor : House Finance
 Date of Request : 5-9-86

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						
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

The fiscal impact of this proposal is indeterminate. For explanation, see attached Supplemental Information.

Prepared by : Kay Brown Phone : 762-4241
 Division : Oil and Gas Date : 5-9-86
 Approved by Commissioner : *Arthur P. Hennrich* Date : 5-9-86
 Agency : Natural Resources

Distribution (by Agency preparing fiscal note) :

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

SUPPLEMENTAL INFORMATION

Fiscal Note proposed House CS for CS for SB 309 (Finance)

Alaska Department of Natural Resources

The potential fiscal impact of the proposed House CS for CS for SB 309 (Finance) cannot be precisely specified, because it is unknown at this time how often the new valuation mechanism would be applied in the future and to what extent future contract prices would deviate from market value.

The impact of the proposed House Finance CS is limited to gas sold to regulated gas and electric utilities. The royalty share of gas sold to regulated gas and electric utilities would be valued using solely the contract price, unless the commissioner finds, based on clear and convincing evidence, that the price is unreasonably low, the prospective reduction in royalty receipts would not be balanced by increased benefits to in-state gas and electric consumers, the lessee and the utility are related to each other, and the contract price is not in the best interest of the state. (All four conditions would have to clearly and convincingly exist in order not to use the contract price.) Thus, the contract price would be used in virtually all foreseeable instances involving sales to regulated gas or electric utilities.

The fiscal impact of Section 2 of the bill would depend on the extent to which contract prices differ from value in the future. Gas that will be sold to regulated gas and electric utilities is likely to come primarily from Cook Inlet, at least in the near term. The state's royalty share of Cook Inlet gas reserves not presently committed to a contract is about 190 billion cubic feet (BCF), of which some portion would likely be sold for local consumer uses. If value is higher than contract price by 10¢, 25¢ and \$1.00 per mcf for half of the state's share of Cook Inlet royalty gas not presently committed to a contract, then state revenues would be reduced by \$9.5 million, \$23.75 million and \$95 million, respectively, as a result of basing the royalty payment on the contract price rather than on the market value of the gas. Any royalty income lost to the state as a result of using solely the contract price to determine the royalty payment would go directly to benefit local gas and electric consumers.

Sections 3 and 4 of the bill give the commissioner authority, upon legislative approval, to enter into an in kind royalty gas sale to a gas or electric utility "at a negotiated price." It is implied but not expressly stated that the sale may be at a price below market value. The fiscal impact of these sections would be considered by future legislatures reviewing an in kind sale proposed by the commissioner. If the commissioner proposed to sell royalty gas at a price below market value, and the legislature approved it, future royalty income would be reduced.

The proposed House Finance CS would allow implementation of the department's preliminary settlement agreement with Chugach Electric, which would value Beluga field production purchased by Chugach under existing contracts at 75¢/mcf, subject to the passage of the legislation. This value is one-half the state's January offer to settle the pricing dispute at \$1.50/mcf, which was rejected by the Beluga producers who sell to Chugach. If the dispute had been settled at \$1.50/mcf under existing law, the state would have received \$1.9 million/year in new royalty income from the Beluga field. Settlement at 75¢/mcf, as will occur if the proposed House Finance CS is adopted, will increase state royalty revenues from Beluga production by about \$810,000/year, because the state's share of this production is currently valued at 21¢/mcf by the producers. This increase in state royalty revenues is less than would have been expected if 1) the state's \$1.50/mcf settlement offer had been accepted, or 2) the state had successfully pursued its legal arguments regarding the value of the state's royalty share under the existing lease terms and existing law.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

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

May 10, 1986

The Honorable John Sund
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Rep. Sund,

You have asked that I explain why the House Resources Committee Substitute for SB 309, relating to royalty gas contracts, does not protect the state's interests.

Fundamentally, the burden must be on the lessee to show that the royalty value is a fair value, and not on the Commissioner to show that it isn't.

The department believes it is appropriate to accept a contract price as the royalty value for arms-length sales to regulated utilities -- as provided in the House Finance Committee Substitute for SB 309 -- because Alaska consumers would be the direct beneficiaries of the certainty of price provided by such a contract and of any royalties lost to the state as a result of using solely the contract price to establish royalty value. I do not believe that industrial and export gas uses should receive the same exception, since the likely effect would be to increase the profits of industrial and export concerns without a corresponding public benefit.

Recognizing the desirability of development of the state's North Slope gas resources, the administration provided language to address the royalty valuation of North Slope royalty gas, although we would have preferred that this issue be addressed in legislation other than this consumer bill. Our language -- which has been incorporated into the House Finance CS -- provides a mechanism for establishing a fair royalty value for the state's share of gas production if taken in value and exported out of Alaska through a pipeline from the North Slope. Proponents of the North Slope gasline have indicated that it would be difficult, if not impossible, to achieve financing for the project without the ability to obtain certainty about the price of the state's royalty gas.

There are significant differences in the approach we have endorsed for valuing the North Slope gas, and the approach taken in the Resources Committee Substitute. The Resources Committee Substitute significantly erodes the state's rights under existing oil and gas leases. It would bind the state as landowner to prices established in contracts to which it was not a party, and, contrary to the provisions of the leases, would forego royalties the state is entitled to receive.

The Resources CS expands the presumption that a contract price is the correct royalty value to cover virtually all arms-length contracts, whether for consumer or industrial purposes. There is no assurance that a contract would be structured to reflect the true value of the gas.

The department believes that adoption of the Resources Committee Substitute would adversely affect the state's ability to collect royalties in several important instances. For example, Marathon Oil Company has advised the department that it intends to take gas from new fields (not covered by past royalty settlements) to its LNG plant in Cook Inlet. Presumably Marathon will sell the gas as LNG to a Japanese purchaser not related to Marathon in management, ownership or other aspect. Thus, Marathon would be entitled to the presumption of use of the contract price under the Resources Committee Substitute. However, the state would not be able to effectively challenge a low royalty value claimed by Marathon due to charges associated with liquifying and moving the gas. The contract price alone does not determine royalty value; other aspects of the transaction such as transportation and LNG facilities must be considered if the state's interests are to be protected.

Obviously the potential negative fiscal impacts of the Resources Committee Substitute are magnified with regard to the huge gas reserves of the North Slope. With North Slope gas, it is well known that pipeline, liquefaction and shipping charges will be very large. As with Cook Inlet LNG, the state will need to be vigilant to assure that the value of the gas is not attributed to these other segments of the export project. It is illuminating that millions of dollars and almost 10 years have failed to yield a consensus on the proper costs of the TAPS construction project. Yet the House Resources CS could require a Commissioner to make even more complex determinations, with no guaranteed access to necessary information, within 90 days.

At a minimum, the state must have the ability to scrutinize all elements affecting a sale for industrial and export purposes, such as pipelines, LNG facilities and LNG tankers. Further, the lessee must have the burden of providing all information necessary for the commissioner to make an informed decision, as well as the burden of providing clear and convincing evidence that the value of the gas is reflected by the gas sales contract price rather than being

May 10, 1986

attributed to transportation, marketing, manufacturing or other profit or cost centers.

Because it lacks these minimum protections for the state, the Resources Committee Substitute is unacceptable.

The Resources Committee Substitute would require use of an arms-length contract price as the royalty value unless the commissioner makes a written finding based on clear and convincing evidence that


- (A) the contract price is unreasonably low;
- (B) the prospective reduction in royalty receipts would not be balanced by increased benefits to in-state consumers; and
- (C) the contract price is not in the best interest of the state.

All three conditions would have to be satisfied before the commissioner could reject a contract price, a more difficult standard than finding that any one of the conditions exists. Thus, even if the Commissioner had clear and convincing evidence that using the contract price to establish royalty value would be adverse to the state's best interest, the Commissioner would nonetheless be obligated to bind the state to the disadvantageous royalty value if the other two standards could not be proven by the same high evidentiary standard.

As a practical matter, it would be virtually impossible for the commissioner to obtain clear and convincing evidence to show that a contract price was unreasonably low and not in the state's best interest within the 90-day timeframe provided. The lessee would control access to the necessary information. Lessees have an understandable desire to minimize royalty payments, and no incentive to cooperate by providing proprietary information that the Commissioner might request in order to make a decision. The lessees conceivably could spend years devising a complicated pricing formula that the Commissioner would be asked to approve in only 90 days.

In summary, I believe that the Finance Committee Substitute for SB 309 will protect the state's interests in maximizing benefits for all Alaskans from development of these publicly-owned resources, and I urge your support for the House Finance CS for CS for SB 309.

Sincerely,


Esther C. Wunnicke
Commissioner

Offered: 2/28/86

Original sponsors: Faiks, Kelly
and V. Fischer

1 IN THE SENATE

BY THE RULES COMMITTEE

2 CS FOR SENATE BILL NO. 309 (Rules)

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 royalty gas contracts; and pro-
7 viding for an effective date."

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

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12 electric utility by using the contract price between the lessee of the
13 state and the utility, whether or not the gas lease establishes a different
14 standard for the valuation and if the lessee and the utility are not re-
15 lated to each other. The legislature finds that this authorization should
16 apply prospectively and does not intend the authorization to apply to the
17 valuation for royalty purposes of gas sold by a lessee unde a gas sales
18 contract entered into before the effective date of this Act.

19 (b) The legislature finds that it is also in the best interest of the
20 state to give the commissioner explicit discretionary authority to sell
21 royalty gas received in kind by the state to gas or electric utilities at a
22 price that is below market value.

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25 other programs that assist the citizens of the state with their long-term
26 gas and electrical needs, including the power cost equalization program
27 under AS 44.83.162 - 44.83.165 and hydroelectric and other programs for the
28 generation of electricity.

29 (d) The legislature finds that the state should adopt a policy for
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1 the sale of royalty gas to gas or electric utilities for in-state consumer
2 use and in-state generation of electricity that is fundamentally different
3 from the policies of the state for the sale of royalty oil and for the sale
4 of royalty gas for export from the state or for uses other than in-state
5 consumer use and in-state generation of electricity.

6 (e) The legislature finds it is in the state's best interest to
7 facilitate the financing and construction of a pipeline and increased gas
8 production from the Prudhoe Bay reservoir by establishing a procedure by
9 which the state could commit itself to a royalty valuation methodology for
10 as long as the state takes its royalty share of gas production in value.

11 * Sec. 2. AS 38.05.180 is amended by adding new subsections to read:

12 (aa) Within 90 days after the written request of a lessee of a
13 lease issued under this section, (unless the commissioner makes a
14 written finding based on clear and convincing evidence that the con-
15 tract price is unreasonably low and that a prospective reduction in
16 royalty receipts would not be balanced by increased benefits to in-
17 state gas and electric consumers,) the commissioner shall enter into an
18 agreement with the lessee to use the price for the gas established in
19 the contract between the lessee and a gas or electric utility, if the
20 lessee and the utility are not related in management, ownership, or
21 other aspect, as the value of the state's royalty share of gas produc-
22 tion sold by the lessee under the contract to the utility. In this
23 subsection

24 (1) "gas or electric utility" includes an electric coopera-
25 tive organized under AS 10.25, a municipal utility, and a gas or
26 electric utility regulated under AS 42.05; and

27 (2) "price for the gas established in the contract" in-
28 cludes tax reimbursement amounts, deliverability and other charges,
29 and other forms of consideration paid by the gas or electric utility

1 under the contract.

2 (bb) In the event of a contract between parties that are unrelat-
3 ed in management, ownership, or other aspect for the sale of gas from
4 Prudhoe Bay reservoir gas leases by means of delivery of the gas
5 through a pipeline for export out of the state, and within 90 days
6 after the written request of a lessee of a lease issued under this
7 section, unless the commissioner makes a written finding that the
8 contract price does not assure the maximum benefits to the people of
9 the state in return for the state's gas resources, the commissioner
10 shall enter into an agreement with the lessee to use the price for the
11 gas established in the gas sales contract as the value of the state's
12 royalty share of gas production sold by the lessee under the gas sales
13 contract. The lessee shall have the burden of providing all informa-
14 tion necessary for the commissioner to make an informed decision, and
15 shall provide clear and convincing evidence that the value of the
16 is reflected by the gas sales contract price rather than being attri-
17 buted to transportation, marketing, or other profit or cost centers.
18 In this subsection, "price for the gas established in the gas sales
19 contract" includes tax reimbursement amounts, deliverability and other
20 charges, and other forms of consideration received by the lessee under
21 the gas sales contract.

22 * Sec. 3. AS 38.05.183 is amended by adding a new subsection to read:

23 (h) The commissioner may enter into a contract to sell royalty
24 gas taken in kind by the state to a gas or electric utility at less
25 than the market value of the royalty gas if the commissioner, after
26 considering the consumer benefits, other benefits, and detriments of
27 the sale, makes a written finding that the sale is in the best inter-
28 est of the state. In this subsection, "gas or electric utility"
29 includes an electric cooperative organized under AS 10.25, a municipal

1 utility, and a gas or electric utility regulated under AS 42.05.

2 * Sec. 4. AS 38.05.810(a) is amended to read:

3 (a) Except as otherwise provided in AS 38.05.183(h), the [THE]
4 lease, sale, or other disposal of state land or resources may be made
5 to a state or federal agency or political subdivision, or the lease,
6 sale, or disposal of coal deposits suitable for mining may be made to
7 a utility owned and operated by a government agency or nonprofit
8 cooperative association organized to participate under the Federal
9 Rural Electrification Act for the purpose of generating electric power
10 and energy or the production of process steam, or both, for less than
11 the appraised value as determined by the director and approved by the
12 commissioner to be fair and proper and in the best interests of the
13 public, with due consideration given to the nature of the public
14 services or function rendered by the agency, subdivision, or utility
15 making application, and of the terms of the grant under which the land
16 was acquired by the state.

17 * Sec. 5. AS 38.05.180(aa), enacted by sec. 2 of this Act, applies to
18 agreements to establish for a lease issued under AS 38.05.180 the in-value
19 royalties on gas production that is sold under a contract entered into on
20 or after the effective date of this Act between the state's lessee and a
21 gas or electric utility.

22 * Sec. 6. This Act takes effect immediately in accordance with AS 01.-
23 10.070(c).

Alaska State Legislature

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Senate Committee on Resources

TO: Senate Resource Committee Members February 10, 1986

FROM: Senate Resources Committee Staff *MJ*

RE: Senate Bill No. 309 "An Act relating to the royalty value of a natural gas lease on state land; and providing for an effective date."

SB 309 would provide by statute, that for purposes of determining the value of the state's royalty share of gas production, the value may not exceed the price received by the producer under a long term sales contract, unless it is shown by clear and convincing evidence that the long-term contract price was unreasonably low at the time of the contract.

In an attached memo, Senator Faiks, the bill's prime sponsor, suggests two clarifying amendments which would make certain that this provision would apply to all natural gas leases on state land.

The method of determining the fair value of the state's royalty share of natural gas has been hotly disputed during the past year. In the accompanying packet labeled "Background - Cook Inlet Royalty Gas Valuation" the issue is discussed in depth.

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
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Senate Committee on Resources

TO: Senate Resource Committee Members February 10, 1986

FROM: Senate Resources Committee Staff *MSU*

RE: Background - Cook Inlet Royalty Gas Valuation

The method of determining the fair value of the state's royalty share of natural gas has been hotly disputed during the past year. The issue is whether the state should accept long-term gas contract prices as determinative of royalty value, or value the royalty gas at current market value as determined by other, more recent gas contracts in Cook Inlet.

The relevant paragraphs in the lease form (form DL1, paragraphs 11, 14, 15, and 16) are interpreted differently by the attorneys for the various parties to this dispute and there are court cases that support each method of valuation. The issue is currently before the courts as the subject of a number of related law suits in which the state is involved.

Though it is the producers, Chevron, ARCO, and Shell, that the state bills for royalty value, the producers all have pass through clauses in their contracts with their customer, Chugach Electric. This results in Chugach, and ultimately its customers, paying the increased cost.