

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672  
6505 SENATE RESOURCES

28

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: Refunds to local governments -  
fisheries business tax during FY 90  
Sponsor: Fischer, et al  
Requestor: CRA & Res. & Fin

Agency Affected: Revenue  
BRU: Income & Excise Audit  
Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 90	FY 91	FY 92	FY 93	FY 94	FY 95
<b>OPERATING</b>						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE</b>	-	(4341.0)	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: See attached.

Prepared By: Steven E. Kettel *Steven E. Kettel* Phone: (907) 465-2320  
Division: Income and Excise Audit Date: April 22, 1989

Approved by Commissioner: Hugh Malone *Hugh Malone* Date: April 22, 1989  
Agency: Department of Revenue

Distribution (by preparer):

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

SB 276

Prepared by:  
Steven E. Kettel, Director  
Income and Excise Audit Division  
April 21, 1989

## BILL ANALYSIS

### Section 2

Presently communities receive 50% of the fisheries business tax paid on fish processed in that community. The tax is a percentage of the ex-vessel value (price paid fishermen) of the processed fish.

Due to the catastrophic oil spill in Prince William Sound, the amount of the tax revenues which are available to share to communities may drop drastically for several reasons:

- 1) fisheries may be closed by the Department of Fish and Game;
- 2) fish may be intercepted before they reach the areas affected by the spill and processed in alternative communities;
- 3) market values worldwide for Alaska seafood products may drop; affecting the ex-vessel value price paid to fishermen
- 4) toxic properties of the oil may kill either returning fish or fry as they leave the streams and swim into affected waters, impacting future year's salmon returns.

To mitigate the affect on communities that a drop in tax revenues would have, SB 276 will provide a new formula for determining state revenues payable to communities in lieu of the current statutory shared revenue formula. To be eligible for increased share a community must pass a three-pronged test:

- 1) FY90 share computed under existing law is less than FY89 actual share;
- 2) The average actual share for FY87, FY88 and FY89 must exceed FY90 share under existing law.
- 3) The reduction is attributable to the Valdez oil discharge disaster.

The third prong of this test will be met if any one of four conditions are met. Of these conditions, one has the potential to entitle every fishing community in the State of Alaska to receive a larger revenue share computed under this bill. This condition links the reduction in shared revenue payment to the drop in price paid for fisheries resources delivered to any municipality in the state. Conceivably, the price paid for all fisheries resources harvested throughout Alaska will be lower following the spill merely because of the adverse publicity the discharge has caused worldwide.

For purposes of this fiscal note we have estimated the impact the discharge would have on communities directly in the spills path as of April 19, 1989. The estimate assumes that all fisheries in the oil spill area will be closed in 1989. No projection can be made for 1990 and beyond at this time.

SB 276  
 Prepared by:  
 Steven E. Kettel, Director  
 Income and Excise Audit Division  
 April 21, 1989

Cities and Boroughs directly in path of oil spill which receive shared fish taxes have received payments for the past two years as follows:.

	<u>FY 87</u>	<u>FY 88</u>	<u>Average</u>
Valdez	64,993	166,311	115,652
Cordova	382,413	815,106	598,760
Seldovia	11,854	12,570	12,212
Kodiak Island Borough	871,500	1,156,269	1,013,885
Old Harbor	3,901	0	1,950
Larsen Bay	13,179	4,927	9,053
Kenai Borough	656,525	1,482,779	1,069,652
Kodiak	617,960	885,584	751,772
Homer	89,036	170,726	129,881
Kenai	174,530	364,879	269,704
Seward	151,656	221,921	186,789
Whittier	9,128	24,664	16,896
Municipality of Anchorage	<u>90,923</u>	<u>239,337</u>	<u>165,130</u>
Total	3,137,598	5,545,073	4,341,336

### DEPARTMENT POSITION

The Department has no objection to this legislation. It is certainly a legitimate response to a potentially devastating situation. Obviously, should "hold harmless" funds be made available, they will come from General Funds

Alaska State  lature

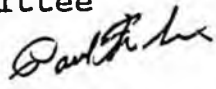
Senator Paul Fischer  
Senate District D  
Box 784  
Soldotna, Alaska 99669  
(907) 262-9420 W  
262-9269

While in Juneau  
P.O. Box V  
Juneau, Alaska 99811  
(907) 465-3791

State Senate

M E M O R A N D U M

TO: Senator Bettye Fahrenkamp, Chairman  
Senate Resources Committee

FROM: Senator Paul Fischer 

RE: Senate Bill 276 "An act relating to refunds to local governments of proceeds of the fisheries business tax during fiscal year 1990".

DATE: March 27, 1990

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I would appreciate your scheduling the above referenced bill before the Senate Resources Committee at your earliest possible convenience. A number of interested individuals and constituents from my district will be in town the week of April 2 - 6 who would like to testify on this bill.

I have introduced this legislation in order to assure that a refund payable to a municipality from the proceeds of the fisheries business tax is not substantially reduced because of the effects of the Valdez oil discharge disaster.

Your consideration of this bill will be greatly appreciated.

PAF/dcm

# Alaska State Legislature

Al Adams  
District L

WHILE IN SESSION  
P.O. Box V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-3707

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OUT OF SESSION  
P.O. Box 333  
Kotzebue, Alaska 99752  
(907) 442-3245

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3111 C Street  
Anchorage, Alaska 99503  
(907) 561-7622

Official Business

TO: Senator Bettye Fahrenkamp, Chair  
Senate Resources Committee

FROM: Senator Al Adams

RE: SB 276, "An Act relating to refunds to local governments of proceeds of the fisheries business tax during fiscal year 1990; and providing for an effective date."

DATE: April 29, 198

Enclosed is the referral file on the aforementioned legislation which was waived from the Community and Regional Affairs Committee today.

In your packet is a proposed committee substitute which was not formally moved out by the committee, but which you may wish to consider for adoption during Resource Committee hearings on this bill. The proposed substitute added a new section one regarding "Conditions that necessitate this legislation." This was added to make a statement supportive of recovering costs lost to the State of Alaska due to the oil discharge in Valdez.

Also changed is section six of the bill which repeals all sections except section one and sections five through seven on June 30, 1990. This was changed so that the provisions in section one could not be interpreted in future court cases as an intention of the Legislature not to recover costs past June 30, 1990.

A new fiscal note for the committee substitute was solicited and is enclosed for your consideration.

The bill's sponsor, Senator Fischer, was supportive of the proposed substitute.

Thank you.

cc: Senator Paul Fischer  
Senator Mike Szymanski

STATE OF ALASKA  
THE LEGISLATURE

APR 11 1989

POUCH Y STATE CAPITOL  
JUNEAU, ALASKA 99811  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 11, 1989

SUBJECT: Fisheries business tax refunds, FY 1990  
(Work Order 6-1216A)

TO: Senator Paul Fischer

FROM: Jack Chenoweth  
Legislative Counsel

In the bill draft accompanying this memorandum, I provide an alternate method of computing the fisheries business license refunds payable to municipalities during FY 1990. That method is dependent on computing the average of payments received by the municipality during the three preceding fiscal years (FY 87 - 89, inclusive). The alternative method applies if (1) there is an actual decrease in the refund payment due a municipality between FY 89 and FY 90; (2) the average of the payments made to the municipality for FY 87 - 89 proves to be greater than the amount payable under AS 43.75.130 for FY 90; and (3) the decrease is attributable to the Exxon Valdez oil spill. This last requirement may be met by meeting any one of the conditions identified in subsection (b) of bill section 3, all of which I perceived as having to do with reducing the delivery of the value or volume of the fishery resource to the municipality for processing (on which the computation of the refund is based):

← (1) reduction or closure of a fishery as a result of the spill;

← (2) curtailment of fishing activity by commercial fishermen because of the presence of crude oil;

← (3) deployment of commercial fishermen in clean-up activities;

(4) price reductions due to diminishment of quality of the resource or of market demand for the resource; or

MU 405 -

SB-184

1  
Senator Paul Fischer  
Page 2  
April 11, 1989

(5) any other reason that satisfies the commissioner of revenue.

I included a provision so that new cities that are subject to the legislated declining refund formula of AS 43.75.-130(d)(1) would not see that offset by the application of this provision.

As we briefly discussed, since the commissioner cannot know now with any certainty the amount that would be required for all payments made under AS 43.75.130 and under this Act, the governor is directed to submit a supplemental if necessary.

The bill has a one year life; it is repealed June 30, 1990.

JC:gc  
WKG9/045

Enclosure

SB 276  
Prepared by:  
Steven E. Kettel, Director  
Income and Excise Audit Division  
April 21, 1989

## BILL ANALYSIS

### Section 2

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- 4) toxic properties of the oil may kill either returning fish or fry as they leave the streams and swim into affected waters, impacting future year's salmon returns.

To mitigate the effect on communities that a drop in tax revenues would have, SB-276 will provide a new formula for determining state revenues payable to communities in lieu of the current statutory shared revenue formula. To be eligible for increased share a community must pass a three-pronged test:

- 1) FY90 share computed under existing law is less than FY89 actual share;
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- 3) The reduction is attributable to the Valdez oil discharge disaster.

The third prong of this test will be met if any one of four conditions are met. Of these conditions, one has the potential to entitle every fishing community in the State of Alaska to receive a larger revenue share computed under this bill. This condition links the reduction in shared revenue payment to the drop in price paid for fisheries resources delivered to any municipality in the state. Conceivably, the price paid for all fisheries resources harvested throughout Alaska will be lower following the spill merely because of the adverse publicity the discharge has caused worldwide.

For purposes of this fiscal note we have estimated the impact the discharge would have on communities directly in the spills path as of April 19, 1989. The estimate assumes that all fisheries in the oil spill area will be closed in 1989. No projection can be made for 1990 and beyond at this time.

SB 276  
 Prepared by:  
 Steven E. Kettel, Director  
 Income and Excise Audit Division  
 April 21, 1989

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### DEPARTMENT POSITION

The Department has no objection to this legislation. It is certainly a legitimate response to a potentially devastating situation. Obviously, should "hold harmless" funds be made available, they will come from General Funds

Original sponsors: Fischer, Kelly,  
Zharoff, and Jones

1 IN THE SENATE

BY THE COMMUNITY AND REGIONAL  
AFFAIRS COMMITTEE

2 CS FOR SENATE BILL NO. 276 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to refunds to local governments of  
7 proceeds of the fisheries business tax during fiscal  
8 year 1990; and providing for an effective date."

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

10 \* Section 1. CONDITIONS THAT NECESSITATE THIS LEGISLATION. The admin-  
11 istration has indicated its desire and this legislature has expressed its  
12 wholehearted support of efforts to pursue the recovery of all costs incur-  
13 red in responding to the Valdez oil discharge disaster, and to make every  
14 attempt to identify and recover all losses attributable to that disaster.  
15 This Act is enacted consistent with those objectives.

16 \* Sec. 2. PURPOSE. To hold harmless municipalities whose tax receipts  
17 would be affected by reduction of payments of the fisheries business tax,  
18 it is the purpose of this Act to assure that refunds payable to municipal-  
19 ities from the proceeds of the fisheries business tax during fiscal year  
20 1990 are not substantially reduced because of the Valdez oil discharge  
21 disaster.

22 \* Sec. 3. ALTERNATE COMPUTATION OF REFUND. (a) Instead of the amount  
23 payable as a fisheries business tax refund under AS 43.75.130, a municipal-  
24 ity entitled to that payment may receive a payment computed for the munici-  
25 pality that is the average of the amounts the municipality received under  
26 AS 43.75.130 during the fiscal years ending June 30, 1987, June 30, 1988,  
27 and June 30, 1989, if

28 (1) the payment computed under AS 43.75.130 for fiscal year 1990  
29 is less than the amount the municipality received under AS 43.75.130 for

1 fiscal year 1989;

2 (2) the average exceeds the amount the municipality would re-  
3 ceive under AS 43.75.130 during fiscal year 1990; and

4 (3) the reduction in the payment computed under AS 43.75.130 for  
5 fiscal year 1990 is attributable to the Valdez oil discharge disaster.

6 (b) For purposes of (a) of this section, a reduction in payments  
7 under AS 43.75.130 is attributable to the Valdez oil discharge disaster if

8 (1) as a result of the disaster,

9 (A) the Department of Fish and Game orders a reduction or  
10 closure of a fishing season and the reduction or closure affects  
11 persons who would normally deliver the resource of the fishery for  
12 processing in the municipality;

13 (B) fishing activities are curtailed because of crude oil  
14 in areas open to fishing activities by persons who would normally  
15 deliver the resource of the fishery for processing in the municipal-  
16 ity;

17 (C) substantial numbers of persons who would have lawfully  
18 participated in fishing activities are engaged in containment and  
19 cleanup of the crude oil spilled from the Exxon Valdez and do not take  
20 advantage of fishing activities to deliver the resource of the fishery  
21 for processing in the municipality; or

22 (D) the price paid for the fisheries resources delivered  
23 for processing in the municipality is reduced, and that price reduc-  
24 tion is due to a diminishment in the quality of or market demand for  
25 the fishery resource because of the Valdez oil discharge disaster; or

26 (2) the municipality demonstrates, to the satisfaction of the  
27 commissioner of revenue, that the reduction in payments made to the munici-  
28 pality is otherwise attributable to the Valdez oil discharge disaster.

29 (c) A city incorporated after June 16, 1987, is eligible for the

1 alternate refund payable under this Act. For purposes of computing the  
2 alternate refund under this section, the commissioner of revenue shall  
3 consider under (a)(2) of this section the sequential reduction of revenue  
4 required by AS 43.75.130(d)(1) for a city incorporated after June 16, 1987.  
5 In making the computation under this subsection, the commissioner may  
6 average the number of years of refunds actually made to a new city but, if  
7 a refund has not been made under AS 43.75.130(d)(1), the commissioner may  
8 not apply this subsection.

9 \* Sec. 4. SUPPLEMENTAL APPROPRIATION REQUEST AUTHORIZED. If the amount  
10 appropriated to provide payment under AS 43.75 and sec. 3 of this Act is  
11 insufficient to pay the full amount of all refunds required, the governor  
12 shall submit a request for a supplemental appropriation for fiscal year  
13 1990 to the Second Session of the Sixteenth Alaska State Legislature.

14 \* Sec. 5. DEFINITION. In this Act "Valdez oil discharge disaster"  
15 means the incident involving the discharge of crude oil after the grounding  
16 of the Exxon Valdez at Bligh Reef on March 24, 1989, the discharge of  
17 ballast water from another tanker on the subsequent weekend in order to  
18 accommodate the transfer of crude oil from the Exxon Valdez to the second  
19 tanker, and attendant containment and cleanup actions.

20 \* Sec. 6. Sections 2 - 4 of this Act are repealed June 30, 1990.

21 \* Sec. 7. This Act takes effect July 1, 1989.  
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29

STATE OF ALASKA  
1990 LEGISLATIVE SESSION

BILL VERSION: CSSB 276 (C&RA)

PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST:

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 BRU: Income & Excise Audit  
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	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
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MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	0	0	0	0	0	0
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE</b>	(4341.0)	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	0	0	0	0	0	0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel *Steven E. Kettel* Phone: (907) 465-2320  
 Division: Income and Excise Audit *Income and Excise Audit* Date: April 4, 1990  
 Approved by Commissioner: Hugh Malone *Hugh Malone* Date: April 4, 1990  
 Agency: Department of Revenue

- Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

CSSB 276

Prepared by:

Steven E. Kettel, Director

Income and Excise Audit Division

April 4, 1990

### Bill Analysis

#### Section 2

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CSSB 276

Prepared by:

Steven E. Kettel, Director  
Income and Excise Audit Division  
April 4, 1990

For purposes of this fiscal note we have estimated the impact the discharge would have on communities in the spill path as of April 19, 1989. The estimate assumes that all fisheries in the oil spill area will be closed in 1989. No projection can be made for 1990 and beyond at this time.

Cities and Boroughs directly in path of oil spill which receive shared fish taxes have received payments for the past two years as follows:

	FY87	FY88	FY89
Kenai Peninsula	\$656,525	\$1,037,945	\$1,975,001
Kodiak Island	871,500	809,388	2,044,869
Chignik	164,267	202,825	472,467
Cordova	382,413	570,571	1,294,703
Homer	89,036	119,508	240,153
Kenai	174,530	255,415	583,068
Kodiak	617,960	619,909	1,167,693
Old Harbor	3,901	0	0
Port Lyons	0	0	296
Seldovia	11,854	8,799	45,116
Seward	151,656	155,345	270,699
Soldotna	0	0	1,806
Valdez	64,993	116,418	294,381
Whittier	9,128	17,265	55,864
TOTAL:	\$3,044,069	\$3,662,957	\$8,445,524

#### Department Position

The Department has no objection to this legislation. It is certainly a legitimate response to a potentially devastating situation. Obviously, should "hold harmless" funds be made available, they will come from General Funds.

**S B**

**285**

## IT'S TIME TO GET ORGANIZED

by John Havelock



The time is already long overdue for Alaskans to take charge of the recovery effort in Prince William Sound. The existing departments of state government are not suited to this task. Each was designed to manage some aspect of the ordinary business of government; this is an extraordinary business. The Department of Environmental Protection, for example, is primarily a regulatory agency, not an operations agency.

Departments are set up to cover a single aspect of government. The disaster calls for an holistic, multidisciplinary effort, encompassing expertise found in many departments and outside government. The Prince William sound disaster is of a magnitude surpassing the reach of government as usual. A new instrumentality of the state, a Prince William Sound Recovery Authority, is required to manage the recovery in all its aspects over the long term.

The restoration of Prince William Sound and related areas of Southcentral Alaska is a long term responsibility and resources and personnel committed exclusively to the disaster as a program are necessary. These costs should not be borne by the regular budget of the state or departments and should have a scope determined only by the scope of the disaster. Already there are signs that other areas of the state are exposed to risk and loss of service because of the draw of this disaster.

We cannot continue to have Exxon and its contractors substituted for the state in taking responsibility for the recovery. A person run over by a drunken driver does not hand over to that driver the primary responsibility for determining the type of medical treatment, the hiring of the doctor and the determination of therapy.

Exxon is there to pay the bills as presented by the state, not to decide on the recovery program. The corporation's conflict of interest is monumental. Exxon's primary concern, as it always was, is to husband the shareholder's resources. This is not to discourage or disparage any effort Exxon may make in mitigation, but it is for the state to decide on the overall assessment of damage and the course of the recovery program. This is our state, not Exxon's, it is our fish, our waters, our plant life, our marine mammals and our people that have been hurt. It is our job to prescribe and carry out the cure.

By the same token this is not a federal task. We are retreating to the old colonial attitude in saying, "let the federal government, or the Coast Guard, or the army, or the Interior Department do it". Further, without sounding too cynical, who do you think has more influence with the federal government, Exxon or the citizens of Alaska?

Least of all should we be worrying about spending a little or a lot of money. The existing state statutes require that Exxon must pay all state costs including environmental restoration, the replenishment of degraded resources, loss of income for individuals and institutions, loss of means of producing income, the loss of economic benefit including the cost of replacement foods for subsistence persons and the state government's administrative costs, without limitation. The hundred million dollar lid is only on the civil fine.

We do what needs to be done and if Exxon balks at paying the bill without litigation, we the people are a state and these are necessary expenditures. We can tax the oil moving through the Sound to pay all our bills until the money is recovered from Exxon.

*Environmental*  
The State Authority should gear up, using contractual methods wherever feasible to avoid oversizing, to perform three main tasks. First we must take charge of the biosphere recovery effort. Secondly, we need to deal with people needs and the economy. Thirdly, we need to set up our own oil spill security force.

The biosphere recovery effort should be implemented through two functional divisions. We should acquire a staff of biological and oil spill experts, the best from around the world and from our own people for developing damage assessment programs and restoration and recovery programs. Field administration is the second function, implemented by identifying a person with state authority responsible for action on each sector of the battlefield. As the cleanup activity stabilizes, plans should be drawn up for the restoration or replacement of resources and economic rehabilitation. In this function the biologists must be joined by economists and professionals in business administration.

The State Authority should include an administrative system for the quick disposition of preliminary claims. The function of this claim disposition should be not so much to hand out money for loss, though something like first class unemployment insurance should be available to anyone put out of a job by the disaster who is not employed in the recovery. But the larger role should be to recapitalize the persons effected, in much the same way that the SBA did after the Alaska Earthquake. In this case, grants for capitalization make more sense than loans because the spill was not an act of God. Exxon is legally obliged to provide the funds for capital replacement.

Though Exxon's interest is different, it is in the best interest of the state to channel the money into recovery and redevelopment projects rather than liquidated damages which often escape the region. The Authority will be in a position to provide grant and claim disposition or mitigation moneys which may be part of a package with federal loan monies, etc. to provide an enhancement of

environmental or economic benefit in implementation of a long term recovery program.

A collective response is necessary to many injuries, at least for part of the claim, rather than individualized treatment. Interposition is also necessary. Claimants should not be differentially treated because of their superior access to legal or other resources, their interrelationships with the oil industry, etc.. The State should move to head off a lawyer feeding frenzy.

Lastly it is the state that should set up its own spill security force to prevent this from ever happening again. Don't contract out the fire department. Exxon and Alyeska have shown that giving them the sole responsibility is asking the foxes to guard the hen house. Our own regulatory oversight has shown itself as too exposed to industry avoidance or subversion and underfunding. The Coast Guard's efforts show the same weaknesses in spades. Notwithstanding warnings, Administration mandated budget cuts set the Coast Guard's service up for failure. It can happen again.

It is important to get this underway immediately to test the bona fides of Exxon and Alyeska, while they are still in the public limelight. A standby oil tax structure should be put in place.

It is amazing what individual Alaskans have accomplished through their own efforts and out of their own pockets, but they are like workers from the fields rising to the defense of their country with pitchforks and hoes. We are already late to recognize that this is like a war, requiring the mobilization of professionalized forces on a broad scale and for the long pull. A Recovery Authority should be put in place and a funding mechanism set up before the legislature adjourns. It is not too late to show that we Alaskans are in charge of our own destiny.

(The author was Attorney General of Alaska at the time the pipeline project, limited entry and the Native Claims Act were put together.)

## Amendments to 6-1190E

- 1.) p. 3 line 5 after "region" insert,  
"and other impacted areas"
- 2.) p. 3 line 13 amended to read,  
"poses, included land, water and other resources and peoples indirectly affected by the spill."
- 3.) p. 3, line 22. after "authority" insert,  
"shall assess the full range of consequences of the spill and"
- 4.) p. 3 after (b), line 27, add a new paragraph (c) to read,  
"The authority shall gather information relating to the environmental safety of the region, the causes of the March 24, 1989 spill and other risks to environmental quality and shall make recommendations to appropriate authorities regarding emergency planning and preventive measures."
- 5.) p. 4, line 12, after "studies" insert  
"monitoring and assessing the consequences of the spill, methods for assessing damages and"
- 6.) p. 4, line 19 after "purposes" add a new sentence to read,  
"The authority shall establish a seven

of the greatest impact."

NOTE: subregion representatives would most likely be from Wittier, Valdez Cordova Tuttluk Seward etc.)

- 7.) p. 4, line 19 after "establish" insert "other"
- 8.) p. 5, line 8 after "offer" insert "coordinate"  
p. 5, line 8 after "programs" insert,  
"and counseling and technical assistance services"
- 9.) p. 5, line 24 after "its" insert "assessment"

April 10, 1989

TO: House and Senate Resources Committees and their staff  
FROM: Representative Mark Boyer and Staff  
RE: Oil Spill Disaster Legislation

The recovery from the Exxon Valdez mishap will take decades and will be fought on many separate, yet conjunctive fronts. The impact, it's assessment, and final mitigation will be a long process of cooperation and conflict.

The legislature's role must be a unified omnibus effort. Changes in legislation and the carrying out of current law should be unified. Nearly every state agency and many federal and non-profit entities will be affected on the beaches, in the communities and in the court rooms. What is the role of the legislature? Is it to appropriate money up front to the DEC? Is it to alter existing law to prevent future spills? Is it to appropriate money to the Law Department for a litigation pool? Is it to create a commission to facilitate claimant advocacy? Is it to assist the governors office in their efforts? Is it to establish funding for scientific assessments upon request? Is it to plan for future displacement and loss? Is it to decide who does what and when? How about all of the above?

This current and upcoming mass of activity, both human and ecological, will fallout; all from human error. The law is clear on liability. The question facing us is how to collect and how to come up with the money and resources to act in response to the disaster. What are we to do?

The call is that agreements were not met and the result is an ecological and social cataclysm of global scale. Who comes to the aid when bucks are needed now, and not after a settlement ten years down the road? It is our responsibility as public servants to rise to the occasion and oversee that justice is served. Not only the people of Alaska are watching the fragile image of our state government; the nation and the world are watching as well.

I propose that we build a comprehensive and separate entity to direct and conduct a long term recovery effort in every dimension of life on the planet: environmental, legal, financial, commercial, social and psychological and above all practical. Such an organization would affect chapter after chapter of statutes and would be underpinned by policy calls. Policy decisions would be made by a Board consisting of state officials and governor appointed citizens. Implementation of policy would be carried out by an executive director and his divisions.

From its inception through to its dissolution, energy would shift from emergency response to clean up; from restoration of the habitat to prevention of further damage; from early mitigation to long term litigation requiring extensive scientific proof; from commercial redevelopment to social assistance and care. An immediate goal and responsibility of the legislature is the creation of one or more Alaska Regional Spill Control Centers.

Coordination between the state, the federal government, the Coast Guard and all other groups entering Alaska's domain must be conducted by the state. The chairperson of the Board must act as or delegate an official spokesperson for the State of Alaska: the nation and the world are listening and watching.

What is the scope of the liability? How can damage be proven? What facts about natural science and physical truths will be employed in the courts? Every leading edge of scientific technology will be challenged; Bio-chemistry, Economics, Physics, Petrol-sciences, Organic chemistry, Cultural integrity and transformation, Social change, Commercial functions and dis-functions, Hydraulics, Fluid dynamics, Mechanics of materials, Environmental quality, etc.

No person is unaffected by the Exxon spill in this hemisphere. The engineer who thinks of the response, the greenie in Colorado who devotes a summer to clean up, the school teacher who tries to explain it to his/her class and the attorneys who argue the definitions of terms that didn't exist 25 years ago.

Are we to depend on the expertise of our senior economists and scientific advisors?

Are we to assume that our industry lobbyists and commerce executives tell the whole picture, a picture deserving reference to a holistic understanding of what is before us? Are we going to believe every word and position statement because we don't have the wisdom to seek more than one opinion? Could the legislative solution be that easy?

The key to our direction is both diversity of opinion and universality of scope. We are forced from the outside to show leadership and forced from within to sacrifice prejudice.

**S B**

**290**

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 4-20-89  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER

\*\*FISCAL NOTE(S) MUST BE ATTACHED  
IN ACCORDANCE WITH AS 24.08.035

DATE TURNED INTO OFFICE 4-3-90

4/19/89

Mr. President:

RESOURCES

Committee considered

SB 290

use of water for certain salmon hatcheries as a preferred use of water;  
efd

and recommended:

replace with CS SB 290(Res)  same title  
new title

attached amendment(s) and

\_\_\_\_\_ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

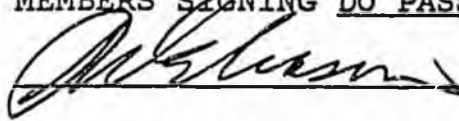
further referral to \_\_\_\_\_

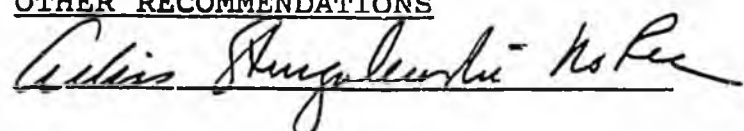
FISCAL NOTE(S) attached  zero  
 appropriation no FN attached

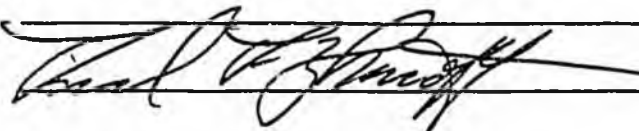
fiscal impact  
 Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS







\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

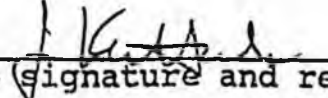
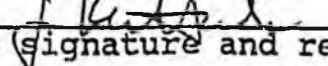
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\_\_\_\_\_

Vice Chair  Do pass  
Chair:  signature and recommendation

Committee backup attached

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: Act relating to use of water  
 for certain salmon hatcheries....  
 Sponsor: Kerttula and Szymanski  
 Requestor: Senate Resources

Agency Affected: Fish and Game  
 BRU: FRED  
 Components: \_\_\_\_\_

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE</b>						

**FUNDING:** (Thousands of Dollars)

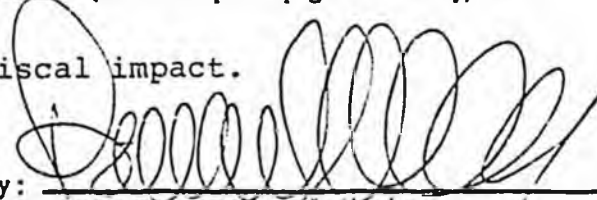
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	0	0	0	0	0	0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

No fiscal impact.



Prepared by: \_\_\_\_\_  
 Division: ADF&G, FRED Division

Phone: 465-4160  
 Date: 4/25/89

Approved by Commissioner: [Signature]  
 Agency: ADF&G

Date: 4/25/89

**Distribution (by preparer):**

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

STATE OF ALASKA  
1989 LEGISLATIVE SESSION

BILL VERSION: SB 290  
PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: 25-Apr-89 Agency Affected: Natural Resources  
 Title: An Act relating to use of water BRU: Land & Water Mgmt  
for certain salmon hatcheries.  
 Sponsor: Kertulla and Szymanski Components: Land & Water Mgmt  
 Requestor: Senate Resources

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0					

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

\_\_\_\_\_

Prepared by: <sup>AO</sup> Larry Ostrovsky Phone: 465-2400  
 Division: Commissioner's Office Date: 25-Apr-89

Approved by Commissioner: Lennie Gorsuch Date: 25-Apr-89  
 Agency: Department of Natural Resources

Distribution (by preparer) :  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

STATE OF ALASKA  
1989 LEGISLATIVE SESSION

BILL VERSION: SB 290

PUBLISH DATE:

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: An act relating to use of water for  
certain salmon hatcheries as a preferred...  
Sponsor: Karttula and Szymanski  
Requestor: \_\_\_\_\_

Agency Affected: Alaska Power Authority  
BRU: \_\_\_\_\_  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
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...)

The fiscal impact of this bill is directly related to the amount of water reappropriated from hydroelectric projects to hatcheries. In the case of the Solomon Guich Hydroelectric project, the annual cost impact of the reappropriation of one cubic foot per second of water is about \$85,000.

There will be other costs related to agency personal services, not only within the Power Authority.

Prepared by: Brent N. Petrie Phone: 561-7877  
Division: Alaska Power Authority Date: April 26, 1989

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

Distribution (by preparer):

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

\* Will be affected to varying degrees depending on amount of water reappropriated.

but other State regulatory agencies which will need to amend or reissue permits.

There will be a cost impact to Four Dam Pool rate payers who will need to pay increased rates related to loss of capability to generate power hydroelectrically and need to make up that loss by additional diesel generation.

## RESOLUTION 89-28

A RESOLUTION OF THE PROJECT MANAGEMENT COMMITTEE  
OF THE FOUR DAM POOL RECOMMENDING REJECTION OF SENATE BILL NO. 290

WHEREAS, the State of Alaska through the Alaska Power Authority, has developed four hydroelectric projects providing power to the communities of Kodiak, Valdez, Glennallen, Wrangell, Petersburg and Ketchikan, which are collectively known as the Four Dam Pool and are served respectively by the Kodiak Electric Association, Copper Valley Electric Association and municipal utilities of Wrangell, Petersburg and Ketchikan; and

WHEREAS, the Alaska Power Authority has constructed the four hydroelectric projects and entered into long-term contracts with each of the Four Dam Pool utilities to deliver power to these utilities on the basis of existing, lawful entitlements to water use.

WHEREAS, these communities share all costs of electric power generated by the four hydroelectric facilities; and

WHEREAS, Senate Bill 290, "An act relating to the use of water for certain salmon hatcheries as a preferred use of water" would have the possible effect of increasing the current cost of operating the Solomon Gulch Hydroelectric project and may increase the future cost of other Four Dam Pool projects; and

WHEREAS, the increased operating costs would impact all ratepayers in Four Dam Pool communities, and

WHEREAS, the water supply to the hydroelectric projects provides a clean renewable energy source, which, if displaced, would require replacement with oil-fired generation; and

WHEREAS, the licensing arrangements and water flow requirements for these hydroelectric projects were the result of considerable state and federal review and permission; and

WHEREAS, existing contractual arrangements for use of these project facilities have been relied upon by power purchasers to meet their residential and commercial customer requirements and would be disrupted if SB 290 passed into law;


NOW, THEREFORE, be it resolved by the Four Dam Pool Project Management Committee, representing the communities as follows:

Section 1. The Project Management Committee hereby advises the Legislature that Senate Bill No. 290 will result in increased power costs to residents of all Four Dam Pool communities.

Section 2. Senate Bill No. 290 would change the water availability that is the legal basis of the Federal Energy Regulatory Commission licenses to construct and operate the state-owned hydroelectric projects.

Section 3. Senate Bill No. 290 would abrogate the power sales agreement between the State of Alaska - Alaska Power Authority, and each of the Four Dam Pool utilities, and invite litigation against the State of Alaska - Alaska Power Authority, to enforce the terms of the Power Sales Agreement.

Section 4. The Project Management Committee requests that the Legislature reject Senate Bill No. 290.

  
Chairman

ATTEST:

Secretary 

Approved at the PMC Meeting held April 25 - 26, 1989.



# Alaska State Legislature

## SENATE

Official Business

### MEMORANDUM

P.O. Box V  
State Capitol  
Juneau, Alaska 99811

*Bettye*

TO: Senator Bettye Fahrenkamp, Chairman  
Senate Resources Committee

FROM: Senator Kerttula *Jan*

SUBJ: Senate Bill 290 --  
Hatcheries Water Use

DATE: March 30, 1990

I would appreciate your hearing Senate Bill 290, relating to the release of water for certain salmon hatcheries by state-owned hydroelectric projects, at your earliest convenience. Attached is a proposed committee substitute for the bill. Also attached is a fiscal note which I prepared.

The proposed committee substitute for Senate Bill 290 would provide that a state-owned hydroelectric project would release up to 10 cubic feet per second at the request of a non-profit salmon hatchery. This bill has strong support in Valdez, where operation of the Valdez Fisheries Development Association's (VFDA) salmon hatchery is totally dependent upon water released from the Solomon Gulch Hydroelectric project. Long-term planning by VFDA has been hindered by the unreliability of the volume of water which is discharged from Solomon Gulch. Uncertainty over water flows, and the possibility that water would be shut off, would mean that the hatchery fish would be wiped out and VFDA would be unable to repay state loans valued in the millions.

I am very unhappy with the present circumstances in Valdez, and am convinced that legislation is necessary to remedy the situation. Bob Kellar, a city councilman in Valdez and president of the VFDA, informs me that, at the time of construction of Solomon Gulch, VFDA was told the project would be generating year-round, with water available to the hatchery after power generation, also year-round. To their detriment, VFDA relied on this representation by the Solomon Gulch project engineers. I believe that the VFDA hatchery is in an untenable position with regard to being able to rely on the benevolence of Solomon Gulch. Understandably, the hatchery wishes to be in a position where continued reliance on good will is unnecessary.

As indicated in the attached memorandum from Fish and Game, dated February 23, 1990, water use disputes between state-owned hatcheries and the AEA are handled by contract. I do not understand why the AEA can commit to discharging a certain volume of water to state-owned hatcheries, but cannot make a similar commitment to non-profit hatcheries. My conclusion is that state-owned hatcheries are in a better bargaining position with the AEA, than are non-profit hatcheries such as VFDA. I believe that the same assurances which are available to state-owned hatcheries in contract should be made available to non-profit hatcheries in statute.

Also attached is a letter from VFDA, dated March 23, 1990, which indicates their need for Senate Bill 290 as well as the importance of VFDA's activities to the region and the state. As noted, the VFDA hatchery is the major producer of salmon in Valdez Arm and produces pink salmon, chum, coho, and chinook. Since 1987, VFDA has contributed a total commercial and sports fish value to the state of \$11 million dollars. I believe that VFDA makes a telling point in comparing the value of water in Valdez for electricity as \$70.74 per acre-foot and the value of water in Valdez for hatchery operations as \$1,825 per acre-foot. As also noted in the attached letter, this water is not "lost money" for the AEA, since it has already been used for power generation.

In conclusion, VFDA's hatchery operations are an integral part of the regional and state economy. I believe that Senate Bill 290 is essential for the continued economic health of the hatchery. I appreciate your consideration of my request for scheduling.

**MEMORANDUM****STATE OF ALASKA  
DEPARTMENT OF FISH AND GAME**

TO: Gordon Harrison  
Director  
Legislative Research Agency

DATE: February 23, 1990

FILE NO.:

THRU: Molly McCammon *MM*  
Special Assistant  
Office of The Commissioner

TELEPHONE NO.: 465-4160

SUBJECT: Water Use by  
State and PNP  
Hatcheries

FROM: Kevin C. Duffy *KCD*  
Planner IV  
FRED Division

You requested through Molly McCammon, Special Assistant to the Commissioner, information on water use by fish hatcheries in terms of volume and a description of any ongoing conflicts regarding water use at hatcheries. The Division of Fisheries Rehabilitation, Enhancement and Development (FRED) operates 16 hatcheries in the state. In addition, the Division regulates 16 Private Nonprofit (PNP) hatcheries and 4 state owned hatcheries which are contracted to PNP corporations. PNP hatcheries are issued permits by the Commissioner of ADF&G under AS 16.10.400.

Water use profiles for hatcheries vary significantly, depending on the species raised and the production numbers (magnitude of fish production). Water use profiles (required cubic feet per second flow) identify water demands for efficient fish production on a monthly basis. Given variances in numbers, species, etc. no standard water use profile has been developed.

In southeast Alaska, the state-operated Snettisham, Crystal Lake, and Hidden Falls Hatcheries have contracts with the Alaska Energy Authority regarding mutual use of the water source because these sites are all hydroelectric power sources. In these situations, ADF&G relies on the other parties good faith efforts, but the potential for adverse impacts on hatchery production is possible. However, contractual relationships reduce the likelihood of any adverse impacts.

In the PNP hatchery program, similar situations arise. Two examples of ongoing or potential conflicts are the Solomon Gulch Hatchery in Valdez and the Sheldon Jackson College Hatchery in Sitka.

The Solomon Gulch Hatchery is owned and operated by the Valdez Fisheries Development Association (VFDA). The VFDA hatchery is located downstream from an Alaska Energy Authority (AEA) hydroelectric project presently operated by the Copper Valley Electric Association, and the hatchery receives water from the AEA hydroelectric project. At certain times of the year, due to low flows and cold temperatures, the hatchery is faced with a shortage of water. Because of this shortage, VFDA must purchase water from AEA. VFDA purchased water from AEA in prior years and the price of that water was relatively inexpensive. However, they are now concerned that the hatchery's future water costs will increase significantly.

Mr. Gordon Harrison

-2-

February 23, 1990

VFDA recently requested ADF&G's assistance in resolving various aspects of the hatchery's use of Solomon Gulch water. The enclosed response letter to VFDA identifies ADF&G's previous efforts in assisting them regarding water use at the hatchery. However, the letter states that ADF&G can not agree to sacrifice the natural habitat (further reduction of instream flow for anadromous fish) in Solomon Gulch Creek for additional hatchery production. ADF&G's understanding of the situation is that VFDA only needs additional water for hatchery production when the hydroelectric project is not operating, which occurs one to two weeks annually in April or May. Therefore, ADF&G suggested that if VFDA needed additional water for hatchery production, water source alternatives to Solomon Gulch Creek should be found.

Sheldon Jackson College operates a hatchery on Indian River in Sitka. Water rights, use and appropriation of Indian River water is currently the subject of an adjudication process that includes detailed and ongoing negotiation and mitigation efforts of water rights claims by the City of Sitka, The U.S. Park Service, Sheldon Jackson College, and ADF&G in terms of instream flow requirements to protect anadromous fish habitat.

I wanted to provide you with some general information on the participants involved in water allocation. Both state and PNP hatcheries are required to apply for and obtain water use permits from the Department of Natural Resources (DNR). DNR not only has the authority to appropriate and distribute water rights in Alaska, but also can adjudicate water rights among competing claimants. DNR is mandated to adopt necessary procedural and substantive regulations which take into account the statutory responsibilities of ADF&G and the Department of Environmental Conservation. DNR must always consider the effect on fish and game resources in making its public interest determination as a component of reviewing water appropriation applications. This is in addition to the ability of DNR, after adjudicating a request from ADF&G, to reserve a specified instream flow or level of water under AS 46.15.145 for protection of fish and wildlife habitat, migration, and propagation, which in adjudicating later claims is treated by DNR as a prior appropriation under AS 46.15.080 (a)(1).

The ADF&G Habitat Division has a responsibility under AS 16.05.870 to protect, maintain, and enhance fish habitat in anadromous streams. In these instances, the Division is responsible for issuing the appropriate permit. ADF&G also has permit authority if the water appropriated is in a special area. If the method of taking or use within the special area may affect fish or game or their habitat in a refuge or critical habitat area, ADF&G has permit authority. Also, if the use is in a sanctuary, ADF&G has permit authority.

In order to gain a greater understanding of the processes and issues regarding water use, we recommend that you contact DNR, Division of Land and Water Management and the ADF&G Habitat Division.

If you require additional information regarding the state and PNP hatchery program, contact us at your convenience.

cc: Brian Allee

Jerry Madden

VALDEZ FISHERIES  
DEVELOPMENT ASSOCIATION, INC.

P. O. BOX 125  
VALDEZ, ALASKA 99686  
835-4874

copy



March 23, 1990

Senator Jalmar M. Kerttula  
P.O. Box V  
Juneau, Alaska 99811

Dear Senator Kerttula:

You have asked information on the Valdez Fisheries Development Association's salmon hatchery. Specifically, you wanted information on water flows into the hatchery and on our problems receiving an adequate flow of water to meet our hatchery operation goals.

The VFDA is a private nonprofit hatchery operating on Solomon Gulch (downstream from an Alaska Energy Authority hydroelectric project) near the Alyeska terminal at Valdez, Alaska. VFDA is presently authorized by the Alaska Department of Fish and Game to incubate and raise 156 million pink salmon, 18 million chum, 2 million coho, and 300,000 chinook. The VFDA salmon hatchery is the major producer of salmon in Valdez Arm.

Our ability to successfully rear and release salmon is wholly dependant on water we receive from the AEA hydroelectric project. Please refer to the attached schematic of pipes coming to the hatchery (Exhibit 1). This schematic shows our water pipe system connected to the hydroelectric project. Our water flows coming to the hatchery from the hydroelectric project vary through each of these sources and varies depending on the time of the year. A table showing our water intake from these sources is shown in Exhibit 2.

Generally, the hatchery does not experience water supply problems between the months of June and December. Rain, run-off, and melting snow all add to a usually adequate supply of water.

However, during January through May (especially April) cold temperatures mean low water flows. The Solomon Gulch lake which feeds the hydroelectric plant and the hatchery is drawn down. Our need for water is great during this low flow period because our salmon are growing and using large amounts of oxygen. To insure their survival, we must be assured of 10 cfs of water.

Insuring that the hatchery receives 10 cubic feet per second will guarantee the survival of our salmon. And, making sure that the hydroelectric project keeps the water coming to the hatchery

DEDICATED TO THE UTILIZATION, CONSERVATION,  
AND REHABILITATION OF ALASKA'S FISHERY RESOURCE  
WITHIN THE 200 MILE LIMIT

Senator Jalmar M. Kerttula  
March 23, 1990  
Page 2

will provide a net economic benefit to the area including the consumers of the project's power.

According to our calculations, VFDA has contributed \$8.5 million in revenue to the commercial fishermen since 1987. Now that we are at full production, we should have an average annual contribution of \$9.5 million to commercial fishermen made up of \$7.8 million from pink salmon, \$1.1 million from chum salmon, and \$593,000 from silver salmon.

Our sport fishing programs have produced about 150,000 sport caught pink salmon and 28,500 silver salmon since 1987. The Solomon Gulch Hatchery is responsible for propagating the largest sport fishery in Alaska in terms of numbers of fish caught at one location. It is not uncommon on the 4th of July weekend to have over 200 motor homes camping out at Allison Point near the hatchery (a popular spot where people catch hatchery fish).

From the 1990 season on, we should sustain an average contribution to sport fishermen of 75,000 pink salmon and 40,000 silver salmon annually. While difficult to put a dollar value on sport caught fish, the economic impact would probably be many times the actual market value of the same fish caught commercially. If a conservative value of \$5 per fish is used to assess the sport fishing contribution to the economy, then the value of recreational fishing is at least \$892,500 annually. Combining commercial and sports fish values results in a total contribution by VFDA to date of \$11 million. The total annual economic benefit would then be almost \$10.4 million.

We use about 1.8 billion gallons of water per year to run the hatchery. This equates to 5,524 acre feet. In terms of water consumption, the net worth of the hatchery could be stated as \$1,825 per acre foot. At 13 cents per kilowatt hour (kwh) and 540 kwh per acre foot, the value of water for hydroelectricity is \$70.74 per acre-foot. The hatchery generates \$1,825 to the local economy for the same acre foot: 26 times more economic benefit to the State. The hatchery gets its water from AEA's Solomon Gulch Hydroelectric Plant "downstream" of their turbines. Therefore, this water used by the hatchery should not be considered "money lost" to AEA, since the water has already been pulled out of the lake and used for power generation.

VFDA pays back loans to the State and since the water we use has already been used for power generation, our annual revenue contribution of \$10.4 million is certainly worthy of the simple protection we need in terms of water supply. Securing 10 cfs of water is crucial because it protects the hatchery from future

Senator Jalmar M. Kerttula  
March 23, 1990  
Page 3

watershed management changes that might occur. No situation short of a natural disaster would prevent AEA, from supplying us with water.

If we were guaranteed a simple 10 cfs of water year-round, we could insure our continued hatchery production. On balance, our request for 10 cfs of water will be fairly limited depending on the time of year. However, a steady supply of water to the hatchery will guarantee salmon to Prince William Sound for generations. As you can see from the enclosed news article, this will not only benefit the regional economy in the long run, it may assist in the short-term restoration of our tourist season, which has been affected by the oil spill.

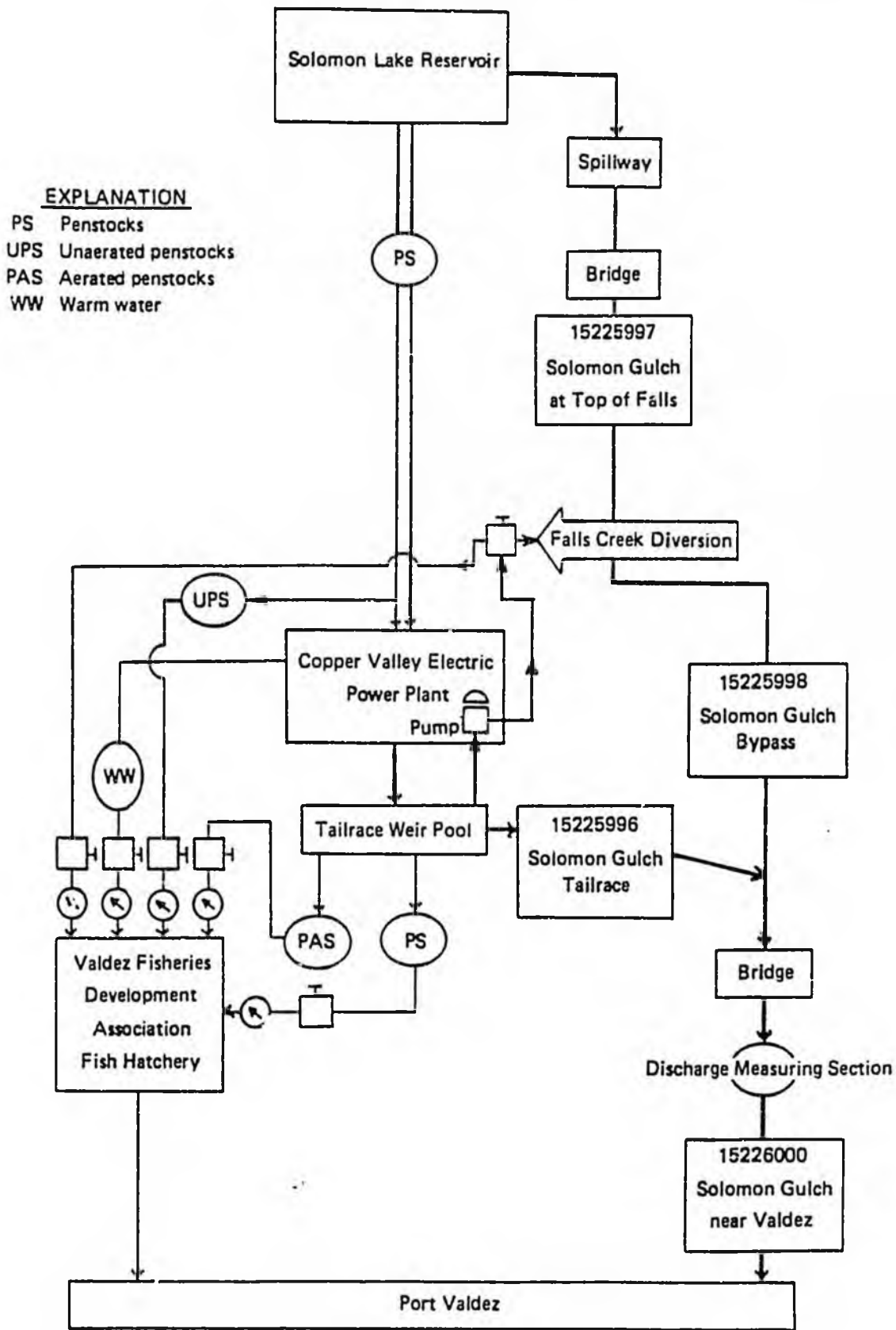
Please let me know if I may provide you with additional information.

Very truly yours,

*Jason Wells* BW

Jason Wells  
Executive Director

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VALDEZ FISHERIES DEVELOPMENT ASSOCIATION

SOURCES AND AMOUNTS OF WATER TO HATCHERY<sup>1</sup>  
 (Figures in cubic feet of water per second)

	<u>Falls Creek Diversion</u>	<u>Warm Water</u>	<u>Unaerated Penstock</u>	<u>Aerated Penstock</u>	<u>Penstock</u>	<u>Hydro Total</u>	<u>Total</u>
Jan	1.5	0.4	0.0	3.2	5.0	8.6	10.1
Feb	1.3	0.4	0.0	3.2	6.0	9.6	10.9
Mar	1.1	0.4	0.0	3.2	6.8	10.4	11.5
Apr	0.9	0.4	0.0	3.2	6.8	10.4	11.3
May <sup>2</sup>	1.0	0.0	0.0	0.0	0.0	0.0	1.0
June	2.0	0.8	0.0	0.0	2.0	2.8	4.8
July	6.0	0.8	0.6	0.0	15.0	16.4	22.4
Aug	6.0	0.8	1.25	0.0	15.0	17.05	23.05
Sept	6.0	0.8	1.25	0.0	10.0	12.05	18.05
Oct	4.0	0.8	1.5	0.0	10.0	12.3	16.3
Nov	2.0	0.4	0.0	2.5	4.6	7.5	9.5
Dec	1.8	0.4	0.0	3.2	5.0	8.6	10.4
Avg.	2.8	0.53	0.38	1.54	7.18	9.64	12.52

c:\wp50\BBW\kertul.1b

<sup>1</sup> The hatchery receives water from a Falls Creek diversion pipe by a water appropriation permit from the Department of Natural Resources. The water received under the columns headed "Warm Water", "Unaerated Penstock", "Aerated Penstock", and "Penstock" are water sources coming to the hatchery from the hydroelectric plant.

<sup>2</sup> The hydroelectric project usually shuts down during May for maintenance. Therefore, the hatchery must place all its fish in salt water ponds except for the next years batch of cohos.



6-1207E  
Utermohle  
3/21/90

Original sponsor(s) ~~SEN. KERTTULA~~, Szymanski

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 290 (*Resources*)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the release of water for certain  
7 salmon hatcheries by state-owned hydroelectric proj-  
8 ects; and providing for an effective date."

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

10 \* Section 1. AS 46.15 is amended by adding a new section to read:

11 Sec. 46.15.155. RELEASE OF WATER FOR SALMON HATCHERIES. A  
12 state-owned hydroelectric project shall release throughout the year  
13 the amount of water requested by a salmon hatchery that is permitted  
14 under AS 16.10.400, that receives financial assistance under  
15 AS 16.10.500 - 16.10.560, and that is in operation on the effective  
16 date of this section; however, a hatchery may not request more than 10  
17 cubic feet per second under this section. A state-owned hydroelectric  
18 project may not charge a fee for the release of water under this  
19 section.

20 \* Sec. 2. This Act does not affect agreements between state-owned  
21 hydroelectric projects and hatcheries for the release and sale of water  
22 that are in effect before the effective date of this Act.

23 \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU ALASKA 99811  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

April 25, 1989

APR 25 1989

SUBJECT:           Constitutionality of SB 290; An Act relating  
                    to the use of water for certain salmon  
                    hatcheries as a preferred use of water

TO:                 Senator Jay Kerttula

FROM:             George Utermohle *GU*  
                    Legislative Counsel

This memorandum is in response to a question posed by Paula Terrel of your staff as to whether HB 290 is constitutional.

There is nothing on the face of the bill to suggest that it is not constitutional.

HB 290 provides that the state will surrender its rights as a prior appropriator of water for use in a state-owned hydroelectric project to a later qualified applicant who will use the water for a private nonprofit hatchery. The state as owner of specific water rights may relinquish those rights to that water. There is no constitutional provision that prevents the state from relinquishing its rights to use water.

If HB 290 attempted to redistribute property rights in water held by a private person, corporation, or municipality, then there could be an unconstitutional taking of property rights. Under the United States and Alaska constitutions, the state may not take private property without compensating the owner. The state would have to compensate the owner of water rights for the value of those rights taken away. However, as I mentioned, this situation does not exist under HB 290.

Under Article VIII, sec. 13 all surface waters of the state are subject to appropriations and priority of appropriation gives prior rights to the water. This prior right to water gives the appropriator a property right in the use of the

Senator Jay Kerttula  
Page 2  
April 25, 1989

water. However, the holder of this property right may relinquish those rights. Under SB 290, the state is agreeing to relinquish its existing rights to use water for hydroelectric projects to a later qualified appropriator who wants to use the water for a private nonprofit hatchery.

If I can provide further assistance, please advise.

GU:gc  
WKG9/117

AGENCY POSITION PAPER REGARDING  
SENATE BILL NO. 290 - AN ACT ENTITLED:

"An Act relating to the use of water for  
certain salmon hatcheries as a preferred use of water;  
and providing for an effective date."

General Background

This bill would establish that use of water by salmon hatcheries operated under AS 16.10.400, Permits for Salmon Hatcheries, and receiving financial assistance under AS 16.10.500-560, Fisheries Enhancement Loan Program, is preferred over the use of water for a state-owned hydroelectric facility. Furthermore, under this bill, that preference would be granted over a prior appropriation to a state-owned hydroelectric project.

Constitutionality

The Power Authority asserts its belief that adoption of this bill violates Section 15 of the State Constitution which is as follows:

Section 15. Prohibited State Action. No bill of  
attainder or ex post facto law shall be passed. No law  
impairing the obligation of contracts, and no law making

any irrevocable grant of special privileges or immunities shall be passed. No conviction shall work corruption of blood or forfeiture of estate.

The basis for this belief is that this bill would impair fulfillment of obligations of long-term power sales agreements between the Alaska Power Authority and each of the Four Dam Pool utilities committing to deliver power on the basis of existing, lawful entitlements of water use. We believe that, in itself, the questionable constitutionality of this bill is enough to disqualify it from consideration for adoption. However, there are additional practical considerations, which, when duly examined, should compel the Legislature to not consider adoption.

#### Loss of Revenue

The Solomon Gulch Hydroelectric project, which is the project that this bill is directed toward, has actually produced an average of 37,000 megawatt-hours of energy. At the current wholesale rate of 5.6 cents a kilowatt hour, total power sales average about \$2.1 million per year. On an annual basis, each cubic foot per second (cfs) of water used for generation is worth \$22,100. Each cfs used for power generation re-appropriated for hatchery use would result in this amount of lost revenue. Furthermore, this loss would have to be made up by generation by diesel plants. The replacement cost of diesel generation for each cfs of hydroelectric ability lost based on the current cost of 16 cents per kilowatt-hour would be \$62,300. Therefore, the true cost of the

loss of one cfs of water used for generation at this facility is about \$85,000 per year. This cost, of course, would need to be passed on to the rate payers served by the Four Dam Pool utilities. The loss of the use of water does not relieve the State or utilities from paying operation and maintenance costs and debt service that would have been paid out of the revenue stream dependent upon hydroelectric generation.

### Permits and Licenses

The Federal Energy Regulatory Commission License for the Solomon Gulch Hydroelectric project, and any other project, is issued on the basis of a strict set of circumstances. To obtain a license, the applicant must demonstrate that he has, or can obtain a water right that makes it possible to construct and economically operate a plant of stated capacity. Any deviation from stated output and configuration of the plant may require an amendment of the FERC license. It is conceivable that, if the capacity, or the annual energy output of the plant is adversely affected to a very great degree, a license amendment would not be granted.

In addition, to obtain a significant license amendment, there would need to be consultation and review with state and federal agencies, similar to that which is required for the initial license application. This would put additional burdens on state agencies, which are already short on funding and staff. Of course, there is a cost associated with preparation of the amendment exhibits required by FERC.

State permits will also need to be amended. Again, this poses an additional burden on an already strained agency regulatory mechanism.

#### Legal Precedent

It is our belief that if this bill could be adopted it would establish a precedent of a most undesirable nature where persons or parties could unfairly usurp the water rights of another without ample justification nor due compensation.

#### Conclusion

We recommend that the Legislature, in its sense of fairness and recognition of the State Constitution, not enact such a law that has far reaching effects, essentially into the homes of every electric rate payer served by state-owned hydroelectric generation facilities in this State.

Curtis McVee, Executive Director AMA

4/25/89

Mr. Chairman, members of Resources Committee

Testimony on HB 210  
Alaska Miners Association

Alaska does not have an instream flow problem. There is no need for this legislation. Instream flows are protected through the current water rights process. These blanket classifications would not recognize site specific needs. Just remember the problem created by classifying all of Alaska waters for drinking water irrespective of the location of downstream use. This is a ridiculous comparison, it's like setting a harvest limit of 1000 salmon from every stream.

Arbitrary limits which don't consider site specific need are a very poor way of approaching management of natural resources.

I heard testimony last week which said we need to reserve instream flow on 12,000 streams. The question is why? What is happening on each of these streams right now which is threatening the flow? If a project is proposed contemplating the use of water from the stream doesn't State law and regulation require an application and a permit and consideration of specific needs?

We in the mining industry have been asking where -- give us examples -- the mining industry is creating losses in renewable resources which are not balanced by economic returns.

Birch Creek is normally held up as an example yet water quality data shows substantial improvement over the past three years, also realize that this area was heavily mined (No Standards) in the early 1900's then discontinued for several years. Recovery of renewable resources was rapid during this period.

DNR now requires an application for the use of water, this application is adjudicated, public comment is solicited, DEC and ADF&G are asked for their input including the need for an instream flow reservation. The criteria used by DNR are very good:

1. protection of prior appropriation
2. need for the water
3. availability of water
4. public interest

Address cost of gathering data - Recognize need for more data on states rivers and streams.

No necessity for gathering all data possibly needed immediately for 12,000 streams, first analyze where developments are occurring. There are not that many locations.

Exploration activity preceeds mining for several years and is an indicator of what may happen. Then design a selective data collection process. Issue water rights when applied for using this data.

Talking about protection of fish - fish which are an important economic base for the state have economic values. Also recognize subsistence - has priority.

Mining is also part of the economic base sometimes when there are no further opportunities to mitigate impacts decisions may have to be made on economics, however I firmly believe that using modern mining methods and technology (placer mines are required to recycle) that impacts are at most negligible and easily compensated by the economic contribution of the industry.

We see no need for this legislation. In the current process of handling applications for appropriation of water protects all other public uses, including fish populations allowing for management flexibility, as determined by Professional Resource Managers in DNR, DEC and ADF&G after evaluating site specific data are considered.

All water use applicants should be treated equitably and each resource stand on its own merits - scientific, economic, etc..

# VALDEZ FISHERIES DEVELOPMENT ASSOCIATION, INC.

P.O. BOX 125  
VALDEZ, ALASKA 99686  
835-4874



April 25, 1989

Senator Bettye Fahrenkamp  
Chair, Senate Resources Committee  
Alaska State Legislature  
P.O. Box V  
Juneau, Alaska 99811

Dear Madam Chair:

I write in support of Senate Bill 290, an Act relating to the use of water for nonprofit salmon hatcheries as a preferred use of water. This bill, as submitted to the Senate by Senator Kerttula, would help remedy the water resources problem faced by the Valdez Fisheries Development Association in its attempts to maintain a secure water source for our hatchery, which is located on Solomon Gulch in Valdez, below the Solomon Gulch hydroelectric facility.

This bill is tightly drafted to give private nonprofit fish hatcheries a preferred water right over State-owned hydroelectric projects. Under this bill, in order to obtain a water appropriation preference, a private nonprofit hatchery must demonstrate that they have received a permit to construct a salmon hatchery and have received a loan from the Department of Commerce and Economic Development to construct a hatchery, and that a State-owned hydroelectric project with a prior water appropriation right will either prevent or substantially interfere with the hatchery's use of water. Only then would the nonprofit hatchery receive a preferred use of the water over the State-owned hydroelectric project.

For more than a decade it has been of the policy of the State of Alaska to promote the enhancement of the State's fisheries. One of the ways in which the State implements this policy is by providing long-term, low interest loans for the construction and operation of nonprofit salmon hatcheries. The purpose of these salmon hatcheries is to enhance and rehabilitate salmon resources in Alaska.

The Valdez Fisheries Development Association has constructed a private nonprofit fish hatchery on Solomon Gulch

DEDICATED TO THE UTILIZATION, CONSERVATION,  
AND REHABILITATION OF ALASKA'S FISHERY RESOURCE  
WITHIN THE 200 MILE LIMIT

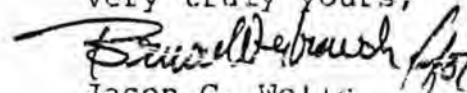
near Valdez. Our hatchery is currently permitted to incubate one hundred fifty-six million pink eggs, three million chum, two million coho, and three hundred thousand chinook. From humble beginnings in Valdez, we have grown to the major salmon producer in the Valdez Arm area.

However, our ability to maintain the propagation of salmon on Solomon Gulch and our commitment to rebuilding salmon populations recently devastated in Prince William Sound by the oil spill, is substantially interfered with by our inability to secure a constant source of water on Solomon Gulch for our fish. The Solomon Gulch hydroelectric facility, which is a State constructed facility operated by the Copper Valley Electric Association, has a prior water appropriation right to the water in Solomon Gulch. During periods of low water flow (for example between December and June) the supply of water in Solomon Gulch is reduced such that the dam can retain water, putting us in the position of having to buy water from the dam's operators. The prospect of making large payments for water, which our salmon fry and smolt need to survive, makes our hatchery's financial outlook questionable because these payments for water are not included in our State loan repayments.

By adopting this bill, the Legislature makes a policy decision to grant a preferred use to nonprofit fish hatcheries over State-owned hydroelectric projects. This is a laudable policy for two major reasons. First, it is an implicit recognition by the Legislature that there are alternative means of generating electricity (for example by diesel generation conservation, or interties), but that there are not alternative means of obtaining fresh water for salmon hatcheries if water is cut-off. Second, the Legislature acknowledges that it deems private nonprofit fish hatcheries to be an integral part of the State's fisheries policy. This policy is all the more important, particularly in Prince William Sound where the salmon fishing industry has been knocked to its knees by the recent oil spill there.

Senator Fahrenkamp, I look forward to providing you with any information you would care to have from the hatchery on why we support this bill and addressing the concerns of any other member of the Senate Resources Committee or the Legislature. Please do not hesitate to contact me if you have any questions or if I can provide additional information.

Very truly yours,



Jason C. Wells

Executive Director

**Sec. 16.10.400. Permits for salmon hatcheries.** (a) The commissioner or a designee may issue a permit, subject to the restrictions imposed by statute or regulation under AS 16.10.400 — 16.10.470, to a nonprofit corporation organized under AS 10.20, after the permit application has been reviewed by the regional planning team, for

- (1) the construction and operation of a salmon hatchery;
- (2) the operation of a hatchery under AS 16.10.480.

(b) The application for a permit under this section shall be on a form prescribed by the department and be accompanied by an application fee of \$100. The commissioner may waive the submission of an application for a permit to operate a hatchery under AS 16.10.480.

(c) A hatchery permit is nontransferable. If a permit holder sells or leases a hatchery for which a permit is issued under this section, the new operator shall apply for a new permit under this section.

(d) *[Repealed, § 19 ch 154 SLA 1977.]*

(e) A qualified regional association formed under AS 16.10.380, if it has become a nonprofit corporation under AS 10.20, has a preference right to a permit under (a)(1) of this section if its proposed hatchery is provided for in the comprehensive plan for that region developed under AS 16.10.375 and the fresh water source exceeds one cubic foot per second minimum flow. Another local nonprofit hatchery corporation approved by a qualified regional association has an identical preference right.

(f) Except for permits issued before June 16, 1976, a permit may not be issued for construction or operation of a hatchery on an anadromous fish stream unless the stream has been classified as suitable for enhancement purposes by the commissioner. The commissioner shall undertake to make such classifications in conjunction with the development of the comprehensive plan under AS 16.10.375.

(g) During the development of a comprehensive plan for a region no permit may be issued for a hatchery unless the commissioner determines that such an action would result in substantial public benefits and would not jeopardize natural stocks. (§ 2 ch 111 SLA 1974; am § 3 ch 161 SLA 1976; am §§ 3, 19 ch 154 SLA 1977; am §§ 2 — 4 ch 14 SLA 1988)

**Effect of amendments.** — The 1988 amendment, effective March 31, 1988, in subsection (a), divided the formerly undivided language into an introductory paragraph and paragraph (1), and added paragraph (2); added the second sentence in subsection (b); and, in subsection (e), inserted "under (a)(1) of this section" in the first sentence and substituted "Another" for "Any other" in the second sentence.

**Sec. 16.10.410. Hearings before permit issuance.** (a) At least 30 days before the issuance of a permit under AS 16.10.400, a public hearing shall be held in a central location in the vicinity of the proposed hatchery facility.

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(b) Notice of the hearing shall be published in a newspaper of general circulation once a week for three consecutive weeks, with completion of the notice at least 10 days before the hearing.

(c) The hearing shall be conducted by the department. At a hearing for a permit under AS 16.10.400(a)(1), the applicant, shall present a plan for the proposed hatchery, describing the capacity of the hatchery and other relevant facts that may be of interest to the department or the public. Interested members of the public shall be afforded an opportunity to be heard.

(d) The department shall record and consider objections and recommendations offered by the public at the hearing conducted under this section. It shall respond in writing, within 10 days after the hearing is held, to any specific objections offered by a member of the public at the hearing. (§ 2 ch 111 SLA 1974; am § 5 ch 14 SLA 1988)

**Effect of amendments.** — The 1988 amendment, effective March 31, 1988, repealed and reenacted subsection (c), which formerly related to the transferability of the hatchery permit.

**Sec. 16.10.450. Sale of salmon and salmon eggs by hatchery.**

(a) Except as otherwise provided in a contract for the operation of a hatchery under AS 16.10.480, a hatchery operator who sells salmon returning from the natural waters of the state, or sells salmon eggs to another hatchery operating under AS 16.10.400 — 16.10.470, after utilizing the funds for reasonable operating costs, including debt retirement, expanding its facilities, salmon rehabilitation projects, fisheries research, or costs of operating the qualified regional association for the area in which the hatchery is located, shall expend the remaining funds on other fisheries activities of the qualified regional association.

(b) Fish returning to hatcheries and sold for human consumption shall be of comparable quality to fish harvested by commercial fisheries in the area and shall be sold at prices commensurate with the current market. (§ 2 ch 111 SLA 1974; am § 5 ch 154 SLA 1977; am § 6 ch 14 SLA 1988)

**Effect of amendments.** — The 1988 amendment, effective March 31, 1988, designated the formerly undesignated two sentences as subsections (a) and (b), added "Except as otherwise provided in a contract for the operation of a hatchery under AS 16.10.480" at the beginning of subsection (a), and made a series of minor stylistic changes throughout the section.

**Sec. 16.10.480. Contracts for the operation of state hatcheries.**

(a) If the department determines that it is unable to continue operating a state-owned hatchery or that it is in the best interest of the state to provide for the operation of the hatchery by another person or by another person in cooperation with the state, the department may

enter into a contract for the operation or cooperative operation of the hatchery.

(b) Notwithstanding AS 36.30, when selecting a contractor under (a) of this section, the department shall give a preference to the regional association organized under AS 16.10.380 that is located in the region in which the hatchery is located. If the department determines that the preferred regional association does not meet the criteria established by the department for the contract, the department may not award the contract to the preferred regional association and shall procure the contract under AS 36.30 after considering the recommendations of the preferred regional association.

(c) A contract entered into under this section must provide that the hatchery will be operated under AS 16.10.400 — 16.10.445 and 16.10.460 — 16.10.470 and the regulations adopted under those sections.

(d) The department may issue to a contractor who operates a hatchery under this section a permit to harvest adult salmon during the term of the contract in a quantity sufficient to allow the contractor to recover all or part of the contractor's costs of operating the hatchery.

(e) A contract under this section for the operation of a hatchery may not affect the state's ownership of the hatchery and does not affect the state's responsibility to manage the resource.

(f) The operation of a hatchery under a contract authorized by this section shall be conducted in accordance with the fisheries management and production goals of the department, and must be consistent with the Comprehensive Regional Salmon Plan approved under AS 16.10.375. During the term of the contract, the department may order changes in the operation of the hatchery that are necessary to ensure consistency with the production goals of the Comprehensive Regional Salmon Plan. The contract must specify the species to be raised and the production goals for each species, and these specifications must comply with the Comprehensive Regional Salmon Plan. The department may terminate a contract if the contractor fails to operate the hatchery in accordance with the requirements established by and under this subsection. (§ 1 ch 14 SLA 1988)

Effective dates. — Section 7, ch. 14, SLA 1988, makes this section effective March 31, 1988, in accordance with AS 01.10.070(c).

Legislative history reports. — For legislative letter of intent on ch. 14, SLA 1988 (CCS SB 410), see 1988 Senate Journal 2422.

### Article 9. Fisheries Enhancement Loan Program.

Section  
555. Disposal of property acquired by default or foreclosure

Section  
600 — 620. [Repealed]

Section  
 540. Voluntary assessment on sale of salmon  
 555. Disposal of property acquired by default or foreclosure

Section  
 560. Definitions  
 600. Creation of authorities  
 610. Tax exemption  
 620. Powers of the authority

Cross references. — For legislative findings and purpose of AS 16.10.375 — 16.10.620, see § 1, ch. 59, SLA 1979, in the 1979 Temporary and Special Acts and Resolves.

**Sec. 16.10.500. Declaration of policy.** It is the policy of the state, under AS 16.10.500 — 16.10.560, to promote the enhancement of the state's fisheries by means of grants for organizational and planning purposes to regional associations described in AS 16.10.510 which have qualified under AS 16.10.380, and by means of long-term, low interest loans for hatchery planning, construction, and operation and for planning and implementation of enhancement and rehabilitation activities including, but not limited to, lake fertilization and habitat improvement. (§ 1 ch 190 SLA 1976; am § 7 ch 154 SLA 1977; am § 2 ch 106 SLA 1980; am § 6 ch 21 SLA 1985)

Effect of amendments. — The 1985 amendment substituted "AS 16.10.500 — 16.10.560" for "AS 16.10.500 — 16.10.550."

**Sec. 16.10.505. Fisheries enhancement revolving loan fund.** There is created within the Department of Commerce and Economic Development a revolving fund to be known as the fisheries enhancement revolving loan fund. The fund shall be used to carry out the purposes of AS 16.10.500 — 16.10.560 and for no other purpose. (§ 8 ch 154 SLA 1977; am § 7 ch 21 SLA 1985)

Effect of amendments. — The 1985 amendment substituted "AS 16.10.500 — 16.10.560" for "AS 16.10.500 — 16.10.550" in the second sentence.

**Sec. 16.10.507. Special account established.** (a) There is established as a special account within the fisheries enhancement revolving loan fund the foreclosure expense account. This account is established as a reserve from fund equity.

(b) The commissioner may expend money credited to the foreclosure expense account when necessary to protect the state's security interest in collateral on loans made under AS 16.10.520 or to defray expenses incurred during foreclosure proceedings after a default by an obligor. (§ 12 ch 79 SLA 1985)

**Sec. 16.10.510. Powers and duties of the commissioner.** The commissioner may

(1) make loans to permit holders, under AS 16.10.400 — 16.10.470, including those holders issued permits before June 24, 1977, for the planning, construction, and operation of hatchery facilities;

(2) make loans to qualified regional associations which have formed a nonprofit corporation or a local nonprofit corporation approved by a qualified regional association, for preconstruction activities necessary to obtain a permit;

(3) designate agents and delegate powers to them as necessary;

(4) adopt regulations necessary to carry out the commissioner's functions;

(5) establish amortization plans for repayment of loans, not to exceed 30 years;

(6) establish the rate of interest for loans not to exceed nine and one-half per cent a year;

(7) establish regional and local offices and advisory groups to carry out, or assist in carrying out, the duties and authority of the commissioner;

(8) *[Repealed, § 77 ch 106 SLA 1980.]*

(9) make grants for organizational and planning purposes to qualified regional associations which have formed a nonprofit corporation, in amounts not exceeding \$100,000 per region and up to an additional \$100,000 on a 50/50 cash matching basis with the regional associations which have an authorized royalty assessment under AS 16.10.540. The state portion of the matching share shall be available when a final vote for assessments is made under AS 16.10.540. This provision also applies to qualified regional associations which have formed a nonprofit corporation before June 24, 1977;

(10) make loans to qualified regional associations which have formed a nonprofit corporation or to local nonprofit corporations approved by qualified regional associations for planning and implementation of fisheries enhancement and rehabilitation activities including, but not limited to, lake fertilization and habitat improvement. (§ 1 ch 190 SLA 1976; am §§ 9 — 11 ch 154 SLA 1977; am § 5 ch 59 SLA 1979; am § 11 ch 72 SLA 1979; am §§ 3, 4, 77 ch 106 SLA 1980)

**Sec. 16.10.520. Limitation on loans.** (a) A single fisheries enhancement loan may not exceed \$10,000,000 for a hatchery or other enhancement or rehabilitation activity conducted under a permit granted to a qualified regional association which has formed a nonprofit corporation, or to a local nonprofit corporation approved by a qualified regional association. A loan for any other nonprofit hatchery corporation project may not exceed \$1,000,000.

(b) Loans for the total project costs may be made if the commissioner determines that the applicant has sufficient financial resources

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to insure the establishment of an equity position in the project equal to 10 percent of the loan within 10 years or less, either through a royalty assessment levied under AS 16.10.540 or other means approved by the commissioner. For purposes of this subsection, "total project costs" includes planning and construction costs for the facility and the cost of operations for not more than the first 10 years. The costs for operations shall be loaned on an annual basis.

(c) All loans must be secured by collateral satisfactory to the commissioner, including but not limited to a first deed of trust, assignment of lease and leasehold improvements, sale of surplus fish from the hatchery, or royalty assessments from fishermen levied under AS 16.10.540.

(d) The commissioner may require adequate evidence of performance in utilizing loan funds approved for an initial or preliminary project before approving a subsequent loan application.

(e) The total amount of loans made or purchased in any fiscal year may not exceed the amount specifically authorized by statute. The amount to be purchased may not exceed \$3,000,000 for fiscal year 1977 and \$10,000,000 for fiscal year 1978. (§ 1 ch 190 SLA 1976; am §§ 12, 13 ch 154 SLA 1977; am §§ 6, 7 ch 59 SLA 1979; am §§ 5, 6 ch 106 SLA 1980; am § 1 ch 32 SLA 1982)

#### NOTES TO DECISIONS

Stated in State, N.S.E. Regional Aquaculture Ass'n v. Alex, Sup. Ct. Op. No. 2488 (File Nos. 5065, 5086, 5142), 646 P.2d 203 (1982).

**Sec. 16.10.525. Repayment of principal and interest on loans.** The commissioner may not require the repayment of principal on a loan made under AS 16.10.510 for the initial period of the loan. Interest on the principal of a loan made under AS 16.10.510 does not accrue during the initial period of the loan. In this subsection, the "initial period of the loan" means a period of time determined by the commissioner which is not less than six years or more than 10 years from the date the loan is made. (§ 7 ch 106 SLA 1980)

Editor's notes. — Section 79, ch. 106, to, and applicable to loans made under AS SLA 1980, makes this section retroactive 16.10.510 after, June 18, 1976.

*Sec. 16.10.530. Royalty assessment on sale of salmon. [Repealed, § 67 ch 6 SLA 1984.]*

**Sec. 16.10.540. Voluntary assessment on sale of salmon.** (a) An association of persons who hold entry permits under AS 16.43, which consists of at least 51 per cent of the persons holding entry permits and actively participating in a fishery to be benefited by a hatchery program, may levy and collect an assessment from among its

members for the purpose of securing and repaying a loan made under AS 16.10.510.

(b) Upon satisfactory demonstration to the commissioner that an assessment levied under this section may reasonably be relied upon to secure and repay a loan to be made under AS 16.10.510, the commissioner may make the loan.

(c) *[Repealed, § 33 ch 14 SLA 1987.]* (§ 1 ch 190 SLA 1976; am § 9 ch 59 SLA 1979; am § 33 ch 14 SLA 1987)

**Effect of amendments.** — The 1987 amendment at the beginning of subsection (a) substituted "An" for "In place of or in addition to an assessment levied under AS 16.10.530, an," at the end of subsection (b) deleted "without requiring an assessment under AS 16.10.530," and deleted former subsection (c), which read "If an assessment made under this section fails to satisfy the payments required on the principal and interest due on the loan the commissioner may negotiate with the regional association to levy an assessment under AS 16.10.530."

*Sec. 16.10.550. Sale or transfer of mortgages and notes. [Repealed, § 14 ch 122 SLA 1980.]*

§ 16.10.555

FISH AND GAME

§ 16.20.030

**Sec. 16.10.555. Disposal of property acquired by default or foreclosure.** The Department of Commerce and Economic Development shall dispose of property acquired through default or foreclosure of a loan made under AS 16.10.500 — 16.10.560. Disposal shall be made in a manner that serves the best interests of the state, and may include the amortization of payments over a period of years. (§ 13 ch 79 SLA 1985; am § 1 ch 152 SLA 1988)

**Effect of amendments.** — The 1988 amendment, effective June 10, 1988, substituted "AS 16.10.500 — 16.10.560" for "AS 16.10.500 — 16.10.620" in the first sentence.

*Secs. 16.10.600 — 16.10.620. Creation of authorities; tax exemption; powers of authority. [Repealed, § 3 ch 152 SLA 1988.]*

**Sec. 16.10.560. Definitions.** In AS 16.10.500 — 16.10.560

(1) "commissioner" means the commissioner of commerce and economic development;

(2) "hatchery" means a facility for the artificial incubation of salmon eggs which may include means for the rearing of juvenile salmon. (§ 1 ch 190 SLA 1976)

**Cross references.** — For further definitions, see AS 16.05.940.

**Sec. 16.10.600. Creation of authorities.** (a) An association qualified under AS 16.10.380 as a regional association is given the authority to form a regional salmon enhancement authority. There is created with respect to each of the associations qualified under AS 16.10.380 a public body corporate and politic as a political subdivision of the state to function in the operating areas of the individual associations. Each authority may exercise all powers conferred by AS 16.10.600 — 16.10.620.

(b) A regional salmon enhancement authority may not transact business or exercise powers granted to it until the governing body of

**S B**

**305**

Original sponsor(s): SEN. COGHILL

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 305 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to subsistence uses of fish and  
7 game; and providing for an effective date."

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

9 \* Section 1. AS 16.05.940(26) is repealed and reenacted to read:

10 (26) "rural area"

11 (A) means a community or area with an aggregate popu-  
12 lation that is less than 2,500, unless the Board of Fisheries and  
13 the Board of Game jointly determine by a preponderance of evi-  
14 dence under the criteria adopted under (B) of this paragraph that  
15 the community or area is not rural;

16 (B) means a community or area with an aggregate popu-  
17 lation of not less than 2,500 and not more than 7,000 that is  
18 jointly determined by the Board of Fisheries and Board of Game to  
19 be rural under criteria adopted jointly by the Board of Fisheries  
20 and the Board of Game to determine the rural or nonrural charac-  
21 ter of the community or area by assessing

22 (i) the community or area economy, including wage  
23 and employment levels, cash income levels, and economic  
24 diversification and specialization;

25 (ii) fish and wildlife usage, including the vari-  
26 ety of species used, levels of participation in harvest  
27 activities, harvest levels, and related factors;

28 (iii) transportation and communication links with  
29 other communities and areas, including variety and frequency

1 of services, and related factors;

2 (iv) community or area infrastructure and services  
3 available, including health care, water, sewer, electricity,  
4 and education;

5 (v) population stability and other demographic  
6 considerations;

7 (vi) form of local government; and

8 (vii) presence in the community or area of state or  
9 federal government representatives; and

10 (C) does not include a community or area with an  
11 aggregate population of more than 7,000;

12 \* Sec. 2. AS 16.05.940 is amended by adding a new paragraph to read:

13 (36) "aggregate population" means the number of residents  
14 within an incorporated community or area designated for purposes of  
15 the federal census and the functionally integrated, continuously  
16 settled road-connected area surrounding the incorporated community or  
17 area designated for purposes of the federal census.

18 \* Sec. 3. AS 16.05.090(c), 16.05.094, 16.05.251(d), 16.05.255(d),  
19 16.05.258, 16.05.259, 16.05.330(c), 16.05.930(e), 16.05.940(2), 16.05.-  
20 940(26), 16.05.940(29), 16.05.940(30), and 16.05.940(31) are repealed.

21 \* Sec. 4. The division of legal services of the Legislative Affairs  
22 Agency shall prepare a bill containing appropriate amendments to the Alaska  
23 Statutes correcting references to "subsistence," "subsistence uses," "sub-  
24 sistence users," and similar terms in order to conform to the provisions of  
25 this Act. The bill shall be presented to the House and Senate Rules Com-  
26 mittees for introduction on the first day of the First Session of the  
27 Seventeenth Alaska State Legislature.

28 \* Sec. 5. NONSEVERABILITY. Notwithstanding AS 01.10.030, if a pro-  
29 vision of AS 16.05.090(c), 16.05.094, 16.05.251(d), 16.05.255(d),  
CSSSSB 305(Res)

1 16.05.258, 16.05.259, 16.05.330(c), 16.05.930(e), 16.05.940(2), 16.05.-  
2 940(26) as amended by sec. 1 of this Act, AS 16.05.940(29), 16.05.940(30),  
3 16.05.940(31), or 16.05.940(36) as enacted by sec. 2 of this Act, is held  
4 invalid by the decision of a court of competent jurisdiction, then that  
5 provision is not severable from other provisions of AS 16.05 listed in this  
6 section.

7 \* Sec. 6. Sections 1, 2, and 5 of this Act take effect only if an  
8 amendment to the Constitution of the State of Alaska relating to subsis-  
9 tence uses of fish and wildlife is approved by the voters of the state at  
10 the 1990 general election.

11 \* Sec. 7. Sections 3 and 4 of this Act take effect only if an amendment  
12 to the Constitution of the State of Alaska relating to subsistence uses of  
13 fish and wildlife is submitted to and disapproved by the voters at the 1990  
14 general election.

15 \* Sec. 8. This Act takes effect upon certification of election returns  
16 for the 1990 general election by the lieutenant governor.  
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**313**

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: State Bond Committee  
 Title: \$49,300,000 Revenue Bonds for Portage BRU: \_\_\_\_\_  
to Whittier and Bradfield River Roads  
 Sponsor: Senate Transportation Components: \_\_\_\_\_  
 Requestor: Senate Transportation

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
<b>OPERATING</b>						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	4,798.7	4,798.7
<b>TOTAL OPERATING</b>	0	0	0	0	4,798.7	4,798.7
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE</b>	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	4,798.7	4,798.7
<b>TOTAL</b>	0	0	0	0	4,798.7	4,798.7

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

\$2,628,100 annual debt service for Portage to Whittier Road and \$2,170,600 annual debt service for Bradfield River Road on \$27 million and \$22.3 million revenue bonds respectively. 30 year maturities and 9 percent interest estimated on bonds. Fund source is Toll Facilities Construction Fund for FY 92-93 and Toll Facilities Revenue Fund thereafter. Construction assumed to begin FY 92.

Prepared By: Milt Barker MB  
 Division: Treasury

Phone: 465-2350  
 Date: \_\_\_\_\_

Approved by Commissioner: Whittier B. Barker for  
 Agency: Department of Revenue

Date: \_\_\_\_\_

Distribution (by preparer):

Legislative Finance  
 Legislative Sponsor

Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: State Bond Committee  
 Title: \$22,300,000 Revenue Bonds for  
Bradfield River resource road BRU: \_\_\_\_\_  
 Sponsor: Jones Components: \_\_\_\_\_  
 Requestor: Senate Transportation

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
<b>OPERATING</b>						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	2,170.6	2,170.6
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,170.6</b>	<b>2,170.6</b>
<b>CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	2,170.6	2,170.6
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,170.6</b>	<b>2,170.6</b>

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Debt service on \$22.3 million revenue bonds with 30 year maturity at 9.0 percent. Fund source would be Toll Facilities Construction Fund for FY 92-93 and Toll Facilities Revenue Fund thereafter. Construction assumed to begin FY 92.

Prepared By: Milt Barker MB  
 Division: Treasury

Phone: 465-2350  
 Date: \_\_\_\_\_

Approved by Commissioner: Wilton B. Barker for  
 Agency: Department of Revenue

Date: \_\_\_\_\_

Distribution (by preparer):

Legislative Finance  
 Legislative Sponsor  
 Requestor

Office of Management and Budget  
 Impacted Agency(ies)

# Alaska State Legislature

SENATOR BETTYE FAHRENKAMP  
CHAIRMAN, RESOURCES COMMITTEE  
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Senate

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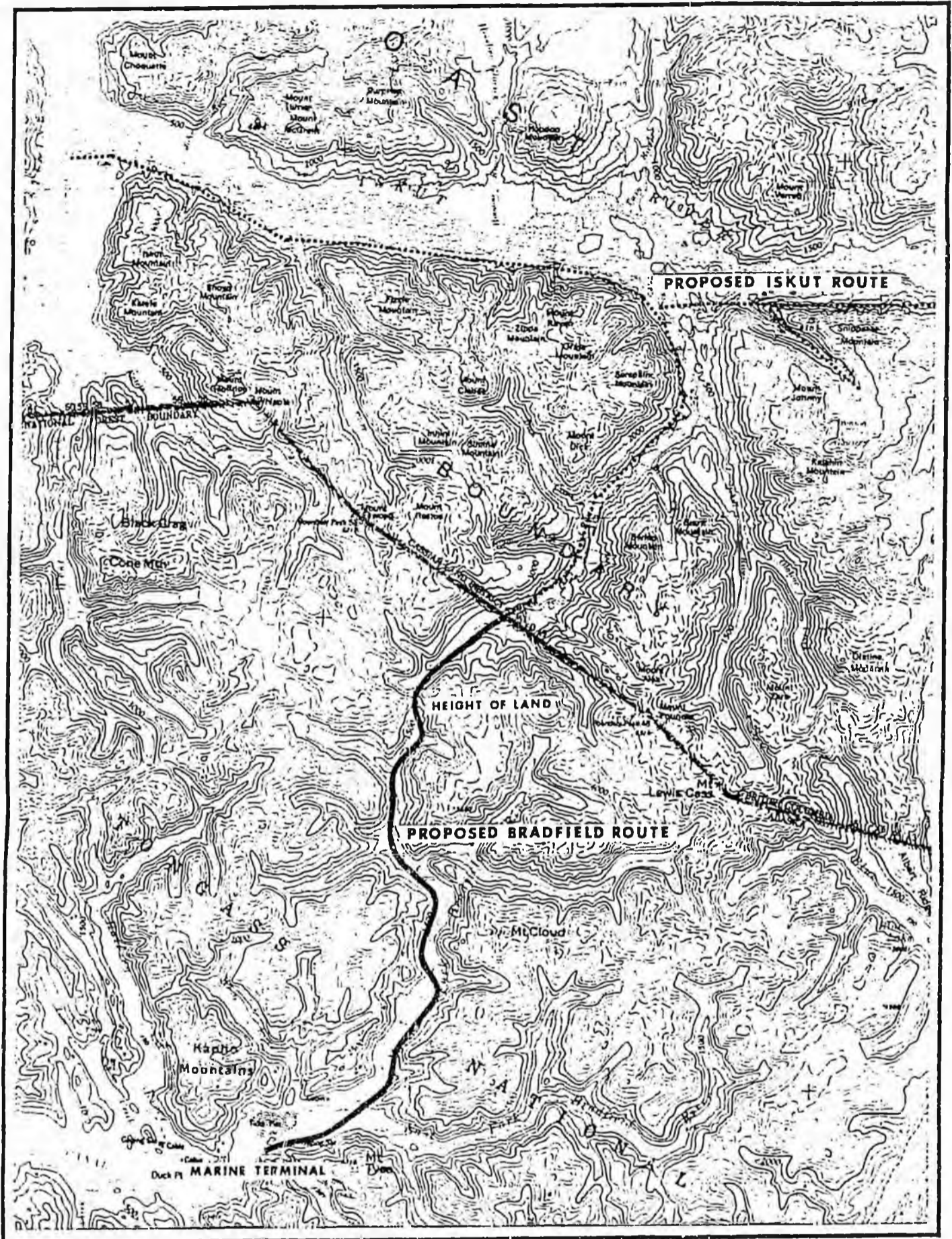
Senate Bill 313

SENATE RESOURCES COMMITTEE  
LETTER OF INTENT

It is the intent of the Senate that no later than when the Bradfield River Resources Road becomes contiguous to the Alaska and British Columbia highway systems, public access shall be permitted.



<b>BRADFIELD INDUSTRIAL ROAD</b>	
<b>FEASIBILITY STUDY</b>	
<b>LOCATION MAP</b>	
Scale 1:2 000 000	Date MARCH 1989
Ref.	FIGURE 1



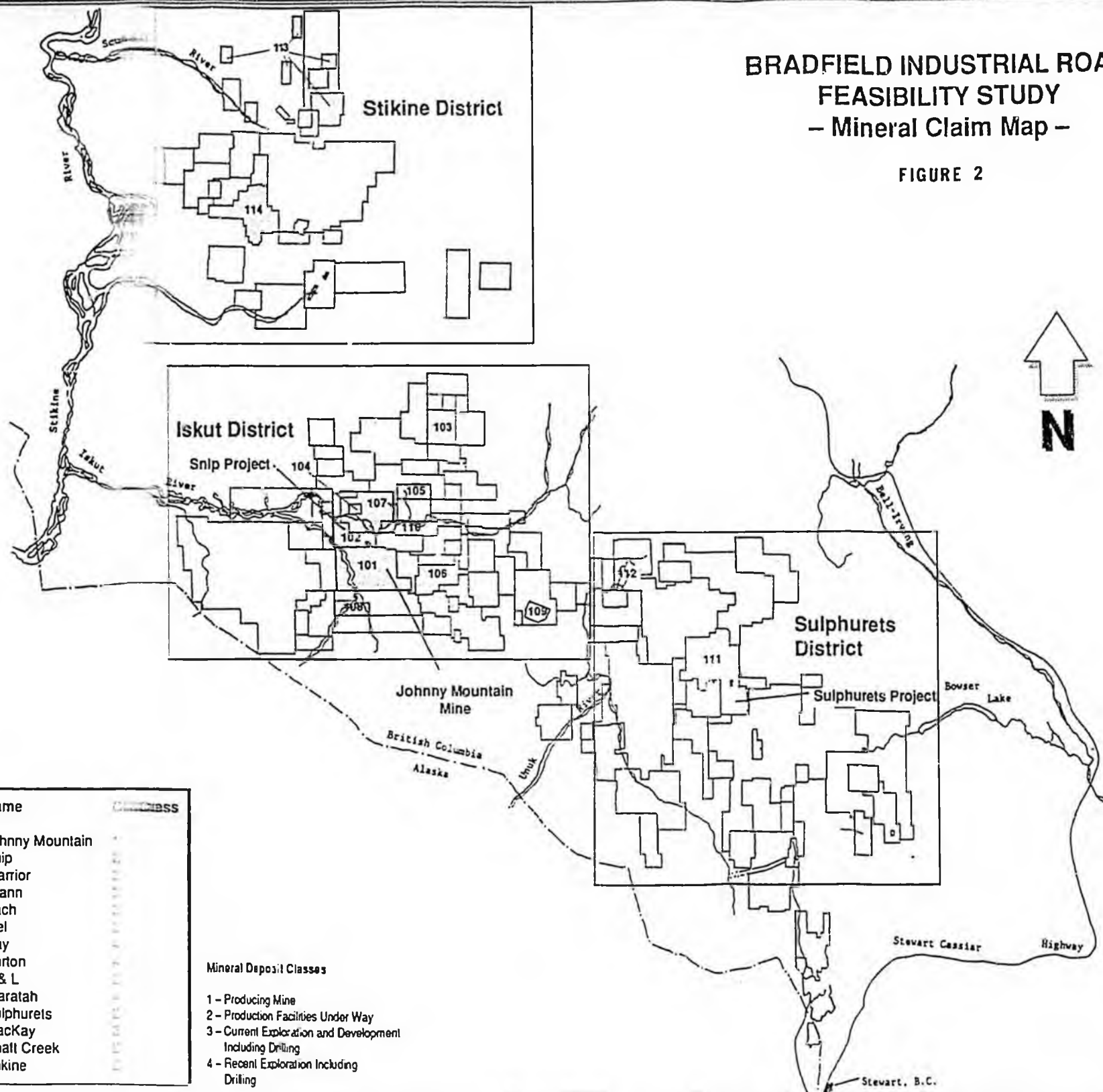
**Bradfield Industrial Road Feasibility Study  
ROUTE LOCATION MAP**

**FIGURE 3**



# BRADFIELD INDUSTRIAL ROAD FEASIBILITY STUDY - Mineral Claim Map -

FIGURE 2



Map # Name

101	Johnny Mountain
102	Snip
103	Warrior
104	Joann
105	Bach
106	Inel
107	Ray
108	Burton
109	E & L
110	Waratah
111	Sulphurets
112	MacKay
113	Shalt Creek
114	Stikine

- Mineral Deposit Classes
- 1 - Producing Mine
  - 2 - Production Facilities Under Way
  - 3 - Current Exploration and Development Including Drilling
  - 4 - Recent Exploration Including Drilling

BRADFIELD-CRAIG ROAD AND PORT PROJECT  
ALASKA SENATE TRANSPORTATION COMMITTEE  
May 2, 1989

An intercontinental road linking the British Columbia Highway system to the coast in Southeast Alaska has been a topic of discussion for many years. During the past 15 years the Alaska Department of Transportation has conducted a number of road reconnaissance studies that identified as many as 8 potential routes from the Canadian border to the coast. The area studied stretched from the Stikine River on the north to the Unik River on the south. After considering costs, engineering feasibility, environmental concerns and accessibility, the route through the Bradfield-Craig Watersheds appears to be the most feasible. It is the shortest route to the sea. It does not infringe upon any Wilderness area, and there is adequate water depth and land base at the head of the Bradfield Canal to accommodate a deep water port facility. On the Canadian side of the border the road will travel through the rich mineral and timber area in the Iskut River Basin and link up with British Columbia Highway 37 to complete the international road to the sea.

The economic benefits to be derived from the Bradfield-Craig Road and Port Project are many. This Project will open the door for a broad scope of long term growth and diversification. Initially the mines in the Iskut region will begin trucking large amounts of raw materials to the Bradfield Port. This would be the beginning of a new flow of commerce through Southeast Alaskan waters and ports. The road will encourage the development of other natural resources, especially timber, which in turn can provide an alternative saw log supply for our mills and encourage new growth in our timber industry facilities. The road will justify the activation of many known mineral deposits that are presently dormant for lack of cost efficient transportation. The road will afford us the opportunity to access new markets and take full advantage of the United States-Canada Free Trade Agreement, and the road will provide an alternate route for the independent traveler dispersing the pressure on our overtaxed ferry system. These are but a few of the myriad of economic opportunities that will arise.

Contained in the informational packet I distributed to you is a 2 page document titled, "Natural Resource Development in Northwestern British Columbia, 1988." The material in this document was compiled by Dr. Ted Grove, a highly respected Consulting Geologist with 30 years experience in natural resource development in Northwestern British Columbia and Alaska. Dr. Grove states, "Road access to the coast and electrical power would change the economics of developing the forest and mineral resources of the entire Iskut River, Unuk River and Sulphurets Creek Area."

## BRADFIELD-CRAIG ROAD AND PORT PROJECT

Page 2

He further states that, "If only a few of the potential copper mines were considered there would be a potential for over 300,000 tons of concentrates per year. Lead and zinc, coal and asbestos could add a further 1.3 million tons per year at peak cycles. Together with wood forecast the area could be projected to export 2 million (+) tons per year, provide hundreds of new jobs, and import large tonnages by sea and road."

The overall economic returns to Southeast Alaska from the Bradfield-Craig Road and Port Project are difficult to forecast but looking at Wrangell's recent experience with just one operating gold mine and another in the construction phase you will see that in the past 12 months we have handled in excess of 6,300 tons of equipment and supplies. We have realized hard cash income of 2.5 million dollars. We have three new businesses and 20 new jobs. Since 1986 international flights at the Wrangell Airport have risen from 279 to 7,372 annually.

If you take these known dollar and volume figures and meld them into Dr. Groves' projections it will give us some idea of what to expect in economic return if the road project is completed. An annual hard cash return of better than 3/4 of a billion dollars annually with an economic factor of 5.5 billion dollars. Thousands of new job opportunities and many new business ventures.

This Project should be looked upon, not as an expense, but as a viable investment in the future of Southeast Alaska

## NATURAL RESOURCE DEVELOPMENT

IN NORTHWESTERN BRITISH COLUMBIA, 1988

*W. J. Stone Sept 27/88*

Resource development in northwestern B.C. is highly dependant upon access and power. The area is rich in natural resources but has only limited access via Highway 37, a few aircraft landing strips, no rail, and no major developed power supply.

Stewart, B.C.'s most northerly port on the Pacific coast, has recently become the transportation hub for much of the area and is now a booming community because of logging along part of Highway 37, and mine exploration and development from Stewart to the Sulphurets Creek area. This surge of activity came about at Stewart largely because Cassiar Asbestos abandoned its Skagway route and chose a cheaper truck-barge haul through Stewart. Logging operators have also taken advantage of the route and are now shipping increasingly larger volumes of saw and pulp wood through this port.

Recent plans to build a major pulp mill at Stewart appear to have many obstacles at this time and an alternative will be to ship logs and chips to existing mills. The cut from the Telegraph Creek area alone has been estimated from 400-500,000 tons annually.

At the present time 1.2 million cubic meters of wood are shipped annually through Stewart. Current timber cutting licenses are good until 1996 at the same allowable cut from the North Kalum T.S.A. The larger Cassiar T.S.A. has a volume of 330 million cubic meters of mature timber of which 70 million cubic meters (21%) are found in the relatively small Iskut River timber block which currently lacks access and power.

The main mineral product now shipped along Highway 37 through Stewart is asbestos from the Cassiar Mine. Because of a recent B.C. government loan of \$25 million new jobs have been added and production from open pit and underground has been assured to the year 2000. Stewart will also benefit from the new open pit operations at the nearby Silbak Premier and Big Missouri mines which will process 2,000 tons per day of gold-silver-copper-lead-zinc ore. Numerous new and revived mineral developments in the immediate Stewart area have added to the town's prosperity. In spite of the distance and lack of easy access, Stewart and Terrace, B.C. have also benefited from the huge surge of activity in the Iskut River-Unuk River-Sulphurets Creek area where at least 75 resource companies are actively developing major new gold-silver deposits. One of these, Skyline Explorations Ltd. Johnny Mountain Gold Mine, is now in production and a second, the nearby Cominco-Delaware SNIP property is nearing a production decision. Both these develop-

ments as well as a number of others in the Iskut River Gold Belt have largely switched to Wrangell as the more convenient air transportation centre.

Other deposits in the same area include copper, lead and zinc mineralization which because of the lack of access and power must remain undeveloped. Road access to the coast and electrical power would change the economics of developing the forest and mineral resources of the entire Iskut River, Unuk River and Sulphurets Creek area.

Most of the area from Stewart to Telegraph Creek was explored in the 1950's through the 70's for porphyry copper and molybdenum deposits. Several world scale copper-moly deposits such as the 1.6 billion ton Shaft Creek, the Stikine Copper deposit and others have been found and partly developed but will go into production only when economic conditions including power and access to a sea port are considered appropriate.

Coal and ore concentrates from the general area extending from Cassiar to Stewart, but particularly from the Iskut River axis, would benefit from shorter road access to a sea port other than that currently provided by Stewart. A road along the Iskut River route to Bradfield Canal and a deep sea shipping facility would cut about 75 km off the current route. As Cassiar Asbestos has shown resource companies will switch routes and transport if there are benefits.

Shipments through the system are extremely difficult to forecast but if only a few of the potential copper mines were considered there would be a potential for over 300 000 tons of concentrates per year. Lead and zinc, coal, and asbestos could add a further 1.3 million tons per year at peak cycles. Together with wood forecasts the area could be projected to export 2 million (+) tons per year, provide hundreds of new jobs, and import large tonnages by sea and road.

Good road access to the sea would also benefit local tourist industries of the entire region.



E W GROVE CONSULTANTS LTD.

EDWARD W. GROVE, Ph.D. P.Eng.  
CONSULTING GEOLOGIST

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Canada V0Y 3A1

Phone: (604) 658-2373  
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*Ed Grove*  
*Sept 22/00*

B.C. MINING OPERATIONS  
 VOLUMES, VALUES & FLIGHTS

NUMBER OF INTERNATIONAL FLIGHT OPERATIONS WRANGELL AIRPORT

Year	1986	1987	1988	1989
# Flights	279	3,600	6,361	7,372

AIRCRAFT CARGO VOLUME 4/1/88 - 4/1/89

FUEL	7,646,308	LBS.
LUBRICANTS	108,352	LBS.
FOOD & SUNDRIES	356,937	LBS.
BLDG. & HARDWARE SUPPLIES	177,000	LBS.
EQUIP. REPAIR & FABRICATION	72,000	LBS.
PROPANE, ACETYLENE, OXYGEN ETC.	236,900	LBS.
MISC. EQUIPMENT & SUPPLIES	22,000	
IN TRANSIT HEAVY EQUIPMENT & SUPPLIES	3,943,892	LBS.
ORE CONCENTRATES	76,275	LBS.
TOTAL AIRCRAFT CARGO VOLUME	12,642,644	LBS.

AIRCRAFT CARGO VALUE (local purchase) 4/1/88 -4/1/89

PETROLEUM PRODUCTS	\$1,678,228
FOOD AND SUNDRIES	497,000
BUILDING, HARDWARE, AUTCMOTIVE	178,000
MISCELLANEOUS SERVICES	135,000
(trucking, equipment repair, longshore, video rentals, hotel, meals etc.)	
TOTAL LOCAL PURCHASES	\$2,488,228

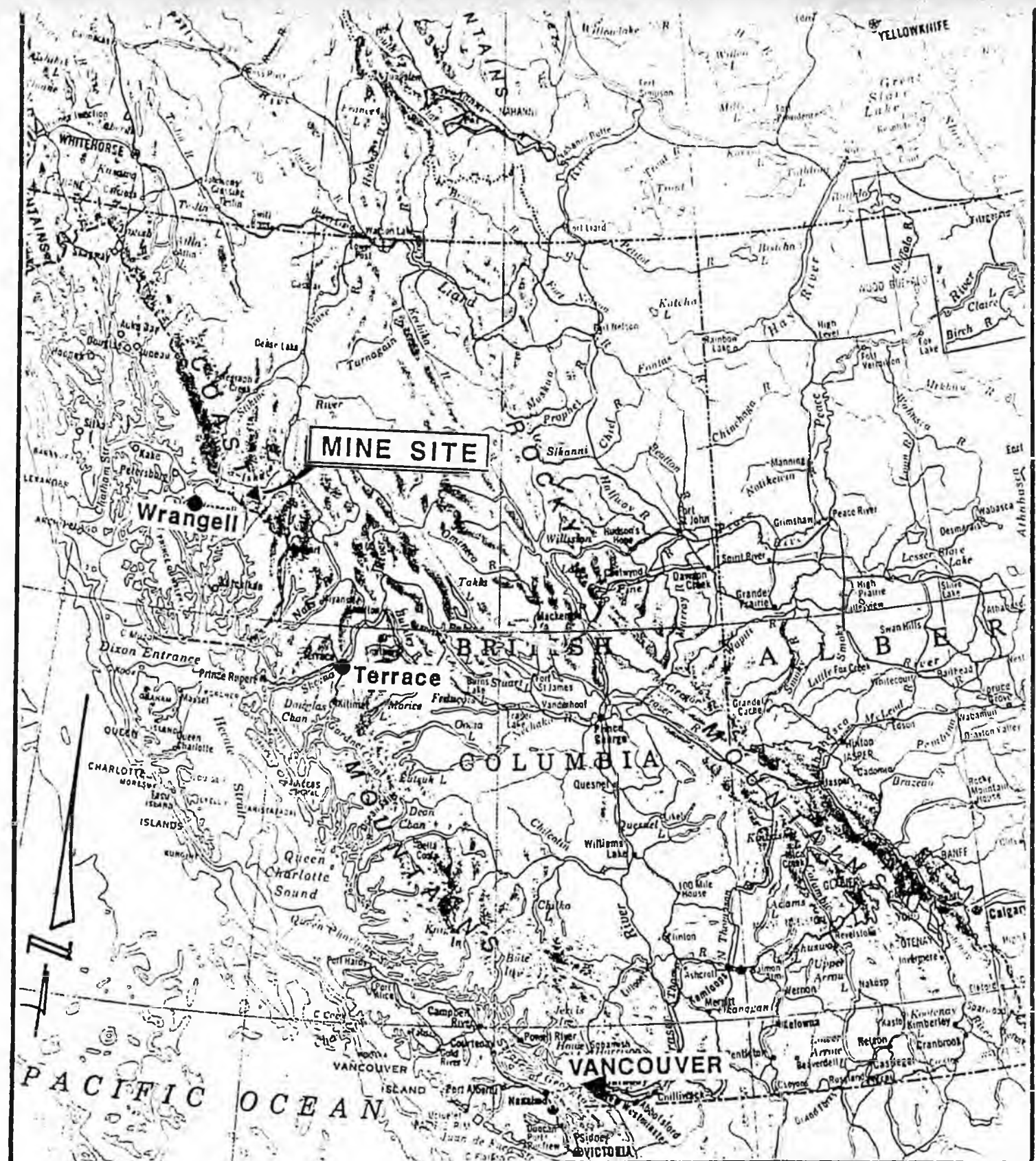
NEW BUSINESSES & JOBS AS A DIRECT RESULT OF MINING ACTIVITY

North Arm Expediting (new business)	3 employees
White Pass Oil (new business)	3 employees
Bradfield Electric (new business)	1 employee
(will have construction crew for power line)	
U.S. Customs	1 new employee
City Market	5 new employees
Diamond Aviation	1 new employee
Chevron Oil	1 new employee
Longshoremen	5 new jobs

TOTALS: 3 NEW BUSINESSES & 20 NEW JOBS

In addition there are 3 Canadian air carriers working out of Wrangell. Two servicing mining operations daily with 3 -4 employees staying in Wrangell. One transporting mining personnel for R & R one trip per week.

Estimated Overall Economic Value to Wrangell is in excess of \$15,000,000.00.



**SKYLINE EXPLORATIONS LTD.**

**Johnny Mtn. Gold Mine**

**KEY MAP**

Scale 1 : 7 500 000

Date March, 1988

Ref.

75 0 75 150 225 300 BASIN  
kilometres



**MINE SITE**

**Bob Quinn**

**PROPOSED ROAD**

**Wrangell**

**Stewart**

**Ketchikan**

**Terrace**

**Prince Rupert**

**SKYLINE EXPLORATIONS LTD.**

Johnny Mtn. Gold Mine

**LOCATION MAP**

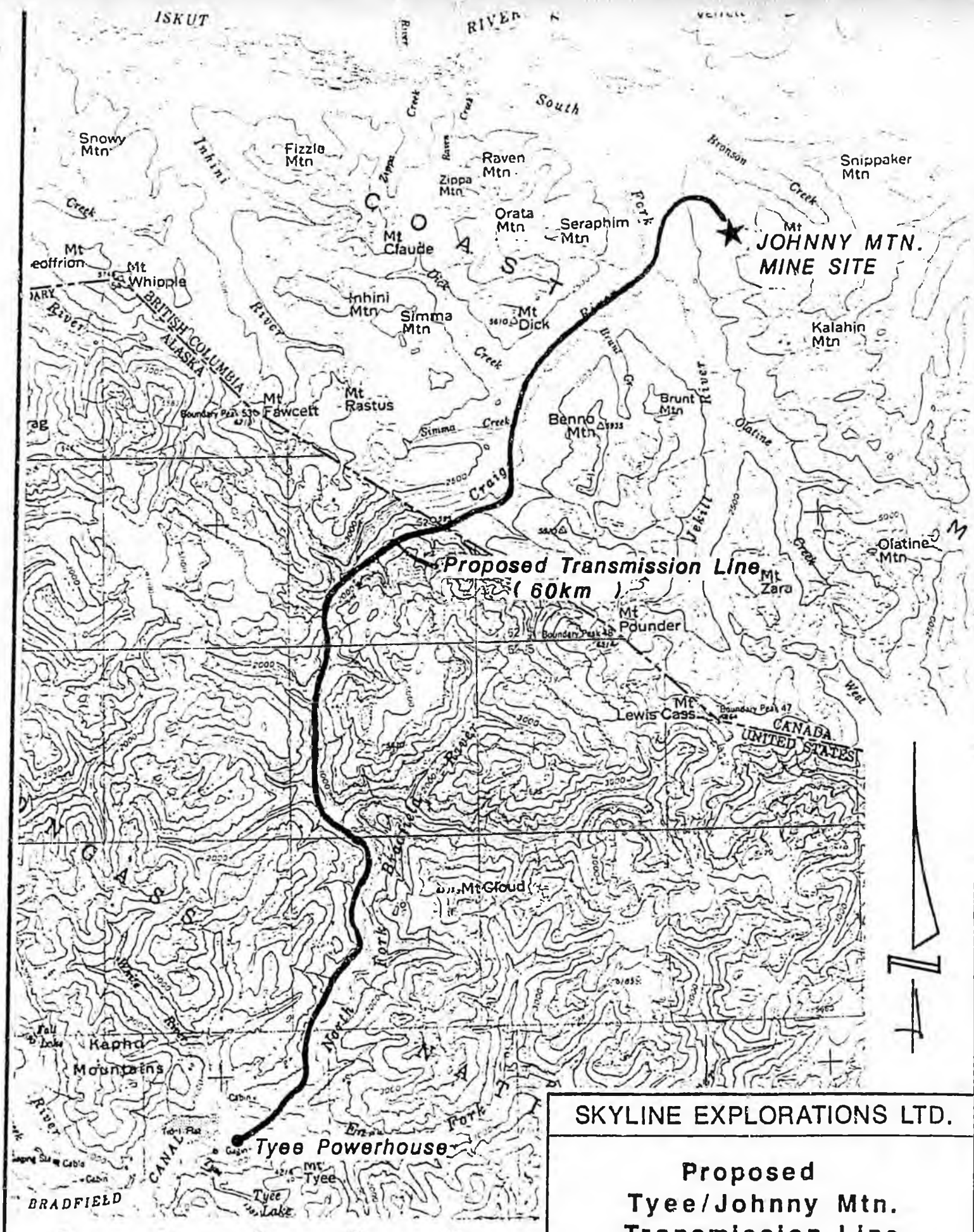
Scale 1:2 000 000

Date March, 1988

Ref.



KILOMETRES



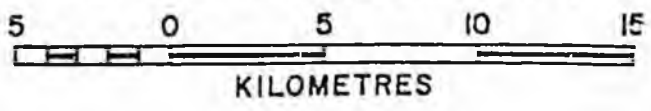
**Proposed Transmission Line  
( 60km )**

**JOHNNY MTN.  
MINE SITE**

**Tye Powerhouse**

**SKYLINE EXPLORATIONS LTD.**

**Proposed  
Tye/Johnny Mtn.  
Transmission Line**



Scale	1 : 250 000	Date	88/02/22
N.T.S. N.T.S. 104/B			

PROPOSED BRADFIELD-CRAIG ROAD

APPROXIMATE MILE/KILOMETERS

	MILES	KILOMETERS
BRADFIELD CANAL TO CASSIAR HIGHWAY (@ BOB QUINN LAKE)	86.0	138.40
BRADFIELD CANAL TO CANADIAN BORDER	31.0	41.38
CANADIAN BORDER TO JOHNNY MOUNTAIN MINE	15.0	24.14
JOHNNY MOUNTAIN TO CASSIAR HIGHWAY	45.0	72.50
BRADFIELD CANAL TO CASSIAR JUNCTION	278.0	447.60
STEWART B.C. TO BOB QUINN LAKE	134.0	217.0
STEWART B.C. TO CASSIAR JUNCTION	327.0	526.0

## 15. Bradfield Canal

LOCATION: At head of Bradfield Canal, southeast of Wrangell.

LEGAL DESCRIPTION: T. 65 S., R. 89 E.; T 65 S., R. 90 E., C.R.M.

ACREAGE: 5,020 - nominated  
4,090 - proposed for selection

NOMINATED BY: City of Wrangell

ACCESS: By boat to anchorage in Bradfield Canal. Tidewater terminus of future transportation corridor into British Columbia (Iskut River, Cassier Highway). Airstrip for Tyece power project is within nomination. Old logging roads lead up North Fork Bradfield River.

NEARBY COMMUNITIES: Wrangell - 45 miles NW, Myers Chuck - 60 miles SW

LAND STATUS: National Forest

GENERAL DESCRIPTION: Flat valley land from above confluence of north and east forks of Bradfield River to Bradfield Canal. There are extensive mudflats and wet grasslands (over 2 square miles) at head of Bradfield Canal. The valley walls are steep and forested. Proposed selection includes some steep slopes adjacent to Bradfield Canal and relatively flat areas near the mouth of the Harding River that could be used as a port site.

The Tyece Lake hydroelectric project powerhouse is located within nomination, Tyece Lake is to the south. This power project, administered by the Alaska Power Authority, supplies electricity to Wrangell and Petersburg (see selection proposal #16).

East Fork Bradfield River is a natural transportation corridor to active mining areas near Mt. Johnny B.C., 35 miles to the NE. Mine developers are interested in power line to Tyece project and eventual road to tidewater. A road could eventually link to Cassier Highway and continental road system.

PURPOSE AND SUITABILITY: If a road or railroad is built into B.C., this site would become a port. Development of a new community is possible. There is a large area of flat land suitable for community development.

The North Fork of the Bradfield River is one of the two most likely transportation routes to the Iskut River, the other route being along Aaron Creek and the Katete River. Routes up the Stikine River are costly due to necessary bridges and also run through federally designated wilderness.

SELECTION HISTORY: None.






DIFFERENCE BETWEEN STATE AND FEDERAL MANAGEMENT: Port development would be much easier if the land is state owned. Community development could only occur under state ownership.


RECOMMENDATION: Priority A, although future use is speculative. Steep slopes on north side of Bradfield Canal and extensive mudflats that have high habitat values have been excluded from the selection.



Tye Lake  
Nomination

**LEGEND**

-  State owned
-  Existing state selection
-  Private (including Native owned)
-  Boundary of proposed selection
-  Boundary of area not recommended for selection



SCALE 1:63360

**NFCG NOMINATION FOR SELECTION**

**BRADFIELD CANAL**

**4090 Acres**

**BRADFIELD CANAL A-5**

**T.65S., R.89 & 90E., C.R.M.**

**Tongass National Forest**