

ALASKA LEGISLATURE COMMITTEE FILES 1995-1996 8672

8751 HOUSE RESOURCES

HJR

59

TESTIMONY OF THE
ALASKA OIL AND GAS ASSOCIATION
AND THE
RESOURCE DEVELOPMENT COUNCIL
HOUSE RESOURCES COMMITTEE HEARING ON HJR59
KENAI, ALASKA
February 23, 1996

My name is Marilyn Crockett. I am Assistant Executive Director of the Alaska Oil and Gas Association and a member of the Board of Directors of the Resource Development Council. I am presenting joint testimony today on behalf of AOGA and RDC in support of HJR59.

Let me begin by saying that we do appreciate the significant efforts required of EPA Region 10 in compiling this complex permit. The permit does provide for the continued ability to discharge produced water and drilling muds and cuttings from oil and gas facilities in Cook Inlet. A zero discharge requirement would force the early closure of many operations because of high costs.

However, we are very concerned about the draft permit's proposed increase in the amount of monitoring and reporting. These additional requirements will not result in any benefit to the environment, but they *will* add cost and administrative burden not only to the operators, but to EPA as well. Based on very conservative assumptions, the draft permit requires monitoring the largest number of parameters ever in such a permit. Additionally, the frequency of monitoring is extreme compared to similar permits. We estimate that to comply with these additional requirements will require the expenditure of \$1 million annually. Changing regulations and requirements such as these pose special challenges for these mature fields which are under increasing pressure to maximize production while minimizing expenditures in order to remain economical.

AOGA and RDC Testimony
House Resources Committee Hearing on HJR59
February 23, 1996
Page 2

It is somewhat ironic that EPA would propose significant increases in monitoring and reporting, given the objectives contained in EPA's 1996 National Water Program Agenda as described in HJR59. The elements contained in the 1996 Agenda are not new, but rather are an extension of President Clinton and Vice President Gore's March 16, 1995 report entitled "Reinventing Environmental Regulation", where it is stated that "...EPA will search out opportunities to simplify and reduce paperwork, including up front during the permitting process, and in recordkeeping and reporting... These actions will preserve essential data needed to measure environmental results and determine compliance with the law, but will eliminate low-value requirements...". The monitoring and reporting requirements contained in the draft permit are completely contrary to those stated goals.

Oil and gas exploration and production has occurred in Cook Inlet for almost 30 years. This development has positively affected the lives of all Alaskans and in particular the residents of southcentral Alaska. Without it, consumers would not be able to enjoy the benefits of low-cost natural gas and electricity. This development has coexisted with one of the state's most productive commercial salmon fisheries and active sport fisheries, provided jobs for the area's residents and significantly contributed to the Peninsula's tax base. These operations have been conducted in a safe and environmentally sound manner over the life of the development.

AOGA and RDC commend the Legislature for consideration of HJR59. We would like to recommend two minor technical amendments which I will provide in written form to Committee members at this time. I'd be happy to answer any questions you may have about these recommended amendments. Thank you for this opportunity to testify.

HOUSE JOINT RESOLUTION NO. 59
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES GREEN, Rokeberg

Introduced: 2/12/96
Referred: Resources

A RESOLUTION

1 Respectfully requesting the Environmental Protection Agency to issue a final
2 National Pollutant Discharge Elimination System permit for Cook Inlet oil and gas
3 operations that omits the incremental permittee monitoring and reporting
4 obligations identified in the Agency's draft permit and, consistent with the
5 philosophy of the Agency's 1996 National Water Program Agenda, allows the
6 permittees to operate under pollutant discharge monitoring and reporting
7 requirements that are not more rigorous than those requirements of the ^{Cook Inlet} National
8 Pollutant Discharge Elimination System permit in place.

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

10 WHEREAS, under the federal Clean Water Act, the principal mechanism for
11 regulating and limiting pollutant discharge into water of the United States is the National
12 Pollutant Discharge Elimination System (NPDES) permit program; and

13 WHEREAS, under the monitoring and reporting requirements imposed as part of an
14 NPDES permit, the unit having responsibility for the Clean Water Act, the Environmental

1 Protection Agency, may require one or more parties who are responsible for pollutant
2 discharge to install and use equipment to monitor the discharge, develop and maintain records
3 and reports, and provide information to it as may be required under the Agency permit; and

4 WHEREAS the Environmental Protection Agency has determined in its 1996 National
5 Water Program Agenda to reduce permittee monitoring and reporting requirements, with the
6 objective of diminishing monitoring and reporting obligations imposed on permittees by about
7 25 percent; and

8 WHEREAS, the oil and gas industry has operated successfully in Cook Inlet for 30
9 years, coexisting throughout these decades with one of the state's most productive salmon
10 fisheries; the industry operates in maturing fields that are at, or very close to becoming,
11 uneconomic to produce; and

12 WHEREAS the Environmental Protection Agency, in conjunction with the Alaska
13 Department of Environmental Conservation, has issued a draft general NPDES permit for
14 Cook Inlet oil and gas production operations; and

15 WHEREAS, despite the reduced monitoring and reporting initiative announced in its
16 1996 National Water Program Agenda, the draft permit for Cook Inlet production operations
17 proposes a substantial increase in the monitoring and reporting requirements to be imposed
18 by the two agencies on the permittees; and

19 WHEREAS public comment on the proposed NPDES permit overwhelmingly endorses
20 the Cook Inlet oil and gas industry permittees' ability to continue to operate under
21 requirements of the permits in place, and supports eliminating provisions in the draft permit
22 imposing an obligation on the permittees to increase monitoring and reporting requirements;
23 and

24 WHEREAS recent scientific studies evaluating the quality of the water and other
25 resources of Cook Inlet determined that there has been no adverse environmental impact in
26 the inlet from the three decades of oil and gas operations; and

27 WHEREAS the Cook Inlet oil and gas production industry's history of successful
28 coexistence with a productive fishery combined with the results of these recent studies
29 together demonstrate that the Agency's draft NPDES permit requiring the permittees to incur
30 substantial additional expense associated with the increased monitoring and reporting
31 requirements identified in the draft NPDES permit is unwarranted, nor is the increased effort

1 supported by public testimony;

2 BE IT RESOLVED that the Alaska State Legislature respectfully requests the
3 Environmental Protection Agency to issue a final National Pollutant Discharge Elimination
4 System permit for Cook Inlet oil and gas operations that

5 (1) omits the incremental permittee monitoring and reporting obligations
6 identified in the draft permit; and

7 (2) consistent with the philosophy of the Agency's 1996 National Water
8 Program Agenda, allows the permittees either to operate under pollutant discharge monitoring
9 and reporting requirements that are consistent with the Agency's national objective of
10 diminishing monitoring and reporting obligations generally to be imposed on permittees, or
11 to operate under pollutant discharge monitoring and reporting requirements that are not more
12 rigorous than those requirements of the ^{Cook Inlet} NPDES permit in place.

13 COPIES of this resolution shall be sent to the Honorable Carol M. Browner,
14 Administrator, Environmental Protection Agency; to Michele Brown, commissioner of
15 environmental conservation; to the Honorable Don Gilman, Mayor of the Kenai Peninsula
16 Borough; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S.
17 Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska
18 delegation in Congress.

**HOUSE RESOURCES COMMITTEE
FEBRUARY 23, 1996**

Good morning Chairman Green and members of the House Resources Committee. My name is Norma Calvert and I am here today representing Marathon Oil Company. Marathon is an equity owner in five Cook Inlet platforms operated by UNOCAL and is operator of two platforms that are currently shut in due to economic factors. UNOCAL as operator and spokesperson for Marathon's interest in active Cook Inlet offshore production has presented an accurate overview of the NPDES permit issue. Marathon would like for your committee records to reflect our support of the industry position as presented by UNOCAL here this morning. We appreciate the House Resources Committee's interest in this issue and support the Joint Resolution before the committee regarding the Cook Inlet NPDES permit renewal; such action is necessary to remind the EPA of its own mandate to make the NPDES permit process practical. We have been a part of the oil and gas operations in Alaska's Cook Inlet for nearly 30 years and are proud that various independent scientific studies have consistently found no degradation of the Cook Inlet environment as a result of the oil and gas operations. The oil and gas industry is the primary economic base for the Kenai Peninsula that is supplemented by the commercial and sports fishing that continues to be bountiful in Cook Inlet. Unfortunately, declining oil production in the Cook Inlet has made the economic life of these state resources completely dependent on operating expenses. A NPDES permit that is more onerous than the existing permit will increase expenses, reduce resource recovery and fail to improve the environment. Again, we request your support of environmentally sound oil and gas operations in the Cook Inlet through the passage of HJR 59.

Alaska State Legislature

WHILE IN SESSION
CAPITOL BUILDING
SHELDON ALASKA 99581-1100
(907) 465-9031
(907) 465-4326 FAX

INTERIM ADDRESS
716 WEST 4TH AVENUE
ANCHORAGE, ALASKA 99501
(907) 254-8100
(907) 258-0171 FAX



CHAIR, RESOURCES COMMITTEE
VICE CHAIR, JUDICIARY COMMITTEE
MEMBER, STATE AFFAIRS COMMITTEE

FINANCE SUBCOMMITTEES
DEPT. OF NATURAL RESOURCES
DEPT. OF COMMERCE & ECONOMIC DEVELOPMENT
DEPT. OF ENVIRONMENTAL CONSERVATION

Representative Joe Green

District 10

Sponsor Statement

HJR 59 - Supporting the Cook Inlet NPDES Permit

HJR 59 puts the Alaska Legislature on record supporting the re-issuance of the National Pollutant Discharge Elimination System (NPDES) permit for Cook Inlet oil operations.

The oil and gas industry has operated in Cook Inlet for over 30 years, coexisting with one of the state's most productive salmon fisheries. Despite this record of success, the US Environmental Protection Agency (EPA) has stipulated monitoring and reporting requirements beyond those required for the current permit. These new requirements have been added by EPA, even though the agency's own National Water Program Agenda calls for reduced monitoring and reporting requirements.

HJR 59 resolves that the NPDES permits be issued without new monitoring and reporting requirements.

Testified
HJR 59

Dennis Steffy

Director
Mining and Petroleum Training Service
155 Smithway, Suite 101
Soldotna, Alaska 99669
(907) 262-2788
FAX: (907) 262-2812

ANC



Testimony Allowed
3 min time
Permit

LEGISLATIVE TELECONFERENCE NETWORK SIGN-IN SHEET

60388

SPONSOR: Women Resources

SUBJECT: HJR 59 NPDES Permit for Cook Inlet Oil & Gas

START/END TIME: 8:00 DATE: 2/23

PLEASE PRINT

P. 01

FAX NO. 9072581261

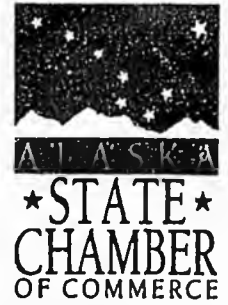
ANCHORAGE LIO

FEB-23-96 FRI 8:10

59
No
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	Name/Representing	Address	Zip	Phone No.	Testify	Observe	Bill No.
1.	Matt Rader DNR DO&G	3601 C Street Ste 1380 Anch.	99501	269-5776		X	HJR 59
2.	Joel Cooper SELF	P.O. Box 3585 Homer AK	99603	235-6109	X		HJR 59
3.	Marla Thompson SELF	P.O. Box 3585 Homer, AK	99603	235-6109	X		HJR 59
4.	Pamela Miller Greenpeace	P.O. Box 104432 Anchorage AK	99510	277 8234	X		HJR 59
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Headquarters:
217 2nd Street, Suite 201
Juneau, Alaska 99801
(907) 586-2323 FAX 463-5515



TESTIMONY OF KATHRYN THOMAS
CHAIRMAN ELECT, ALASKA STATE CHAMBER OF COMMERCE
JANUARY 25, 1996
AT HOMER, ALASKA

MY NAME IS KATHRYN THOMAS. I AM HERE TO SPEAK ON BEHALF OF THE ALASKA STATE CHAMBER OF COMMERCE. I SERVE ON THE EXECUTIVE COMMITTEE AND AM THE CHAIR ELECT OF THE ALASKA STATE CHAMBER OF COMMERCE.

OUR ORGANIZATION REPRESENTS A DIRECT MEMBERSHIP OF APPROXIMATELY 700 BUSINESSES AND AN INDIRECT MEMBERSHIP OF MORE THAN 6000 ALASKAN FIRMS. MOST OF OUR MEMBERS ARE SMALL BUSINESS PEOPLE WITH 20 OR FEWER EMPLOYEES. FOUNDED IN 1953, WE REPRESENT ALASKANS FROM BARROW TO KETCHIKAN.

I AM HERE TO SPEAK WITH YOU TONIGHT BECAUSE WE ARE THE VOICE OF ALASKA BUSINESS.

IN RECENT YEARS, ALASKA HAS SEEN HUGE BUSINESS REVERSALS IN MAJOR INDUSTRIES DUE TO ACTIONS TAKEN BY THE FEDERAL GOVERNMENT.

THE TIMBER INDUSTRY HAS CLOSED MILLS AND LAYED OFF HUNDREDS OF EMPLOYEES BECAUSE OF FEDERAL ACTION LIMITING THE USE OF ALASKAN TIMBER FOR LOGGING.

THE FISHING INDUSTRY HAS SEEN RECENT FEDERAL ACTION WHICH HAS HALTED COMMERCIAL SALMON FISHING IN SOUTHEAST ALASKA BECAUSE THE PACIFIC NORTHWEST AND CANADA WERE SUFFERING MAJOR SALMON SHORTAGES. ALASKA, ON THE OTHER HAND HAS MANAGED IT'S RESOURCE TO SEE RECORD RETURNS IN IT'S WATERS.

WE BELIEVE THAT ALASKAN'S ARE COMPETENT IN THE CARE AND MANAGEMENT OF THEIR RESOURCES. WE ASK THAT YOU RECOGNIZE THAT THE ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION DOES NOT INCLUDE COOK INLET ON THE LIST OF IMPAIRED WATER BODIES IN ALASKA, AS DEFINED UNDER THE FEDERAL CLEAN WATER ACT.

PAGE 2
KATHRYN THOMAS
ALASKA STATE CHAMBER OF COMMERCE
JANUARY 25, 1996

THE ALASKA STATE CHAMBER OF COMMERCE, HAS A COMMITMENT TO CREATE A PROSPEROUS ALASKAN ECONOMY; TO REDUCE THE COST OF DOING BUSINESS IN ALASKA AND TO THE DEVELOPMENT OF ALASKA'S VAST MINERAL RESOURCE WEALTH WHILE BALANCING SOUND ENVIRONMENTAL CONSIDERATIONS.

FOR 30 YEARS THE OIL PLATFORMS IN COOK INLET HAVE PROVIDED JOBS FOR ALASKANS, HEATED OUR HOMES, PROVIDED A SOURCE OF LOW COST POWER TO KEEP OUR BUSINESSES COMPETITIVE AND MORE PROFITABLE, AND CONTRIBUTED TO THE TAX BASE THAT SUPPORTS OUR GOVERNMENT AND SCHOOLS.

AND THIS IS A REAL ALASKAN SUCCESS STORY, BECAUSE THE RECENT ENVIRONMENTAL STUDIES HAVE SHOWN THAT THIS MAJOR CONTRIBUTION TO OUR ECONOMY HAS BEEN ACHIEVED WITHOUT ANY ADVERSE IMPACT TO OUR COOK INLET WATERS.

THE BUSINESS COMMUNITY IN ALASKA IS PUZZLED AS TO WHY THE FEDERAL GOVERNMENT WANTS TO FIX SOMETHING THAT IS NOT BROKEN AND THAT HAS PERFORMED SO WELL.

WE ASK THAT YOU RECOGNIZE THAT THE ALASKA STATE CHAMBER OF COMMERCE FEELS THAT ADDITIONAL STRINGENT REQUIREMENTS OF THE NPDES PERMITTING IS NOT WARRANTED BY THE DATA THAT IS REFLECTED IN THE MOST RECENT STUDIES OF COOK INLET WATERS.

BY NOT RECOGNIZING THE ENVIRONMENTAL SUCCESS OF THE DEVELOPMENT OF COOK INLET'S OIL RESOURCE, THE FEDERAL GOVERNMENT WILL CAUSE A LOSS OF REVENUE TO LARGE AND SMALL BUSINESSES AND ALASKA WILL LOSE JOBS THAT WE CANNOT REPLACE FROM OTHER SECTORS.

THANK YOU,



KATHRYN THOMAS

PHONE (907) 776-5515 FAX (907) 776-5132

Valdez L.D.O.

TC# 100388

Parts List:

- 1) ~~1~~ Mr. Joe Kilian - Testify HB 175
- 2) Mr. James Heston - Observe HB 175

Testimony for HB 175

02/23/96 12:03:11
MESSAGE FROM: LIOCJEN

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
IN ANCHORAGE

LTN1120
KEN .

RE TCN: 60388 SCHEDULED FOR: 02/23/96 08:00 TO 14:00
SPONSOR: HOUSE RESOURCES PURPOSE: PUBLIC HEARING

MESSAGE TEXT: ~~ALAN LEMASTER IN GAKONA TO T~~

17B 175

13-02

Oil industry officials have lobbied hard against the zero-discharge requirement, which would outlaw any effluent poured into the inlet from oil platforms. The permit regulates 19 different waste streams, including drilling muds, bilge water, sewage as well as produced water, a mixture of oil, water and natural gas extracted during production.

Industry claimed reinjecting the waste or transporting it to shore would shut down already marginal Cook Inlet production facilities. When EPA released its draft permit last fall, that requirement was not included, but the oil industry still maintains that the new permit is too strict.

Aside from the Homer hearing, written public comment seemed to side with industry opinions. Of the 250 letters EPA has received, about 70 percent support claims that the new regulations are too stringent. The remaining 30 percent pushed for even tighter restrictions.

Laurie Mann, an environmental specialist at EPA, who wrote the permit, emphasized that while the agency does keep track of how many people are for or against the regulations, that doesn't mean the side with the most support wins.

"It's not an election," said Mann, who has received 50 faxes about the permit in the past week. "Whatever we do has to be consistent with the law."

The only way any changes will be made to the draft permit is if the public comment is based on new technological or legal information EPA didn't know about. For example, said Mann, the permit may change if it conflicts with someone's interpretation of Alaska subsistence laws.

Mann now must read and respond to all the comments, a task that she estimated will take at least a month. It could be up to ten months before a final version of the permit is released, although Mann said it could take as little as three months.

Opponents of the permit then will have 190 days to challenge EPA's plans.

Kenai Peninsula residents have one more day to send their water-quality comments to the U.S. Environmental Protection Agency. Wednesday is the postmark deadline for public comment.

The EPA already extended its comment period for the permit from 60 to 90 days as a result of the overwhelming response. Residents can provide comment by sending letters to U.S. EPA, Region 10, Director, Office of Water, 1200 Sixth Ave., Seattle, Wash. 98101.

Comments must include the writer's name, address and phone number.

Homer discharge hearing draws nearly 100 speakers

By KIRSTEN SCHULTZ
Peninsula Clarion 1-30-96

Close to 100 people testified Thursday at a U.S. Environmental Protection Agency water-quality hearing in Homer.

The hearing capped off EPA's three-month-long attempt to gather public comment on its National Pollutant Discharge Elimination System Permit, the document that will regulate what the oil industry can pour into Cook Inlet over the next five years.

Attendance at the Homer hearing, which was organized after EPA was inundated with requests from the southern Kenai Peninsula community, overshadowed attendance at a similar hearing held in Soldotna late last year.

The 10-or-so people who testified at the

Soldotna hearing in November were evenly split on the NPDES issue — some claimed EPA's draft permit was too strict, while others maintained it wasn't tough enough.

Surprisingly, that also was the case in Homer, an area known for its opposition to the oil industry.

According to Mike O'Meara, a Homer-area resident who testified during the four-hour hearing, residents of Kenai and Nikiski had a "massive presence" at the hearing. Most of those people supported oil industry interests.

Overall, the testimony was mixed, though there were slightly more people favoring stronger regulations, like the so-called "zero-discharge" restriction required in other waterways around the country.

See EPA, back page

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Opponents of the permit then will have 190 days to challenge EPA's plans.

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The EPA already extended its comment period for the permit from 60 to 90 days as a result of the overwhelming response. Residents can provide comment by sending letters to U.S. EPA, Region 10, Director, Office of Water, 1200 Sixth Ave., Seattle, Wash. 98101.

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House Resources Committee
re: HJR 59

Feb. 23, 1996

Dear Mr. Chairman,

I testified on the teleconference of 2/23/96. A member of the panel asked a general question in response to my testimony but I was not still connected to explain.

My statement was that as a Pacific cod fisherman, we sell our fish fresh and have the best reputation for quality in all of Alaska. My concern was that this permit will cover the upcoming Cook Inlet lease sale #149 which will allow discharge of drilling muds in this area, and anything that taints the product or reputation with discharges that are recognized as containing TOXIC substances will be damaging to existing commercial ventures in this area.

Somehow the question got posed that since they have been discharging for 30 years and we have this good fish quality maybe discharges are OK for the quality of fishery products. I will presume that the questioner was serious. so the following comments will explain the situation.

No one fishes Pacific cod in the area of the platforms which is about 90 miles away. Tanner crab, shrimp, scallops, and generally, hottomfish are not harvested in that upper area but all are in the lower Cook Inlet. If this permit will cover "Cook Inlet" it would allow lease sale 149 drilling operations to discharge right in the fishing area.

I can already hear the industry representatives testifying that the lower inlet should have the same regulations as the upper inlet and, if HJR 59 passes, that the Alaska legislature agrees with them.

I request that you specify in HJR59 that this resolution does not establish precedent for nor apply to lease sale 149 or adjacent State waters in Lower Cook Inlet, and that the permitting process there should address the different potential impacts on the fisheries associated with Lower Cook Inlet.

Sincerely,



Paul K. Seaton
58360 Bruce Drive
Homer, Alaska 99603
Ph. & Fax (907) 235-6342

EPA

Continued from page 1

The permit regulates 19 different waste streams, including drilling muds, bilge water, sewage and produced water, a mixture of oil, water and natural gas extracted during production.

Mann mentioned that not one of the 200-plus letters sent to EPA was a form letter and many of the notes were handwritten. All the letters either said EPA's new permit would over-regulate or under-regulate the inlet's oil industry.

"Not one letter said we like it, you did a good job," Mann said.

Mann also said that she has received about 20 phone calls from Homer residents, upset that EPA didn't schedule a hearing in their area.

The volume of comment was so unusually high that EPA decided to do just that. "Citizens don't normally call the EPA in Seattle," Mann said.

The agency already has held hearings in Anchorage and Soldotna. The Homer hearing is

scheduled for Thursday, Jan. 25, at 7 p.m. at the Homer Senior Center. The hearing is only for gathering testimony, not for questions.

Also, a workshop with a panel of speakers will be held Thursday, Jan. 18, at 7 p.m., at the senior center. Mann, along with seven or so other people, will provide comment on the permit and answer audience questions. Other panel members will represent the oil industry, Native groups and the environmental community.

The Cook Inlet Keeper, a water-quality watchdog group, is sponsoring the program. The group is funded by a \$1 million settlement over oil industry violations of EPA's last NPDES permit.

The EPA already extended its comment period for the permit as a result of the overwhelming response. Residents can provide comment until Jan. 31, by sending letters to U.S. EPA, Region 10, Director, Office of Water, 1200 Sixth Ave., Seattle, Wash. 98101.

Comments must include the writer's name, address and phone number.

The Homer hearing is scheduled for Thursday, Jan. 25, at 7 p.m. at the Homer Senior Center.

The EPA will release a final version of the permit, sometime after the comment period is ended. Mann said the recent federal government shut down probably will have an affect on EPA's timeline for releasing the final version of the permit. Mann originally had scheduled to have the permit completed before she went on three months of maternity leave, but now it won't be done until she returns. The final version most likely will be released sometime this year, followed by a 120-day challenge period.

Borough will discuss EPA discharge permit Tuesday

The Kenai Peninsula Borough Assembly will discuss the U.S. Environmental Protection Agency's recently released discharge permit at its next meeting, scheduled for Tuesday at 7:30 p.m.

Borough Mayor Don Gilman has introduced a resolution to support EPA's National Pollutant Discharge Elimination System permit, which will regulate Cook Inlet oil facilities.

The public is welcome to comment on the resolution, which is scheduled to be voted on at the meeting. The meeting will be held in the assembly chambers in the Soldotna Borough Building.

New hearing set for inlet discharges

By KIRSTEN SCHULTZ
Peninsula Clarion

JAN. 12 '96

The U.S. Environmental Protection Agency has received so much public comment on its plans to regulate waste-water discharge in Cook Inlet that it will hold another hearing on the Kenai Peninsula.

The agency, which released its new National Pollutant Discharge Elimination System permit late last year, has been inundated with letters and phone calls from Southcentral residents.

According to Bob Jacobson, regional press officer with EPA in Seattle, "the volume of letters on the proposed permit is unusually heavy for this stage of the game." The proposal's comment period isn't up until the end of January.

So far, EPA has received more than 200 letters commenting on the permit, which will regulate what oil facilities can pour into inlet waters. The permit will apply to the inlet's 15 platforms for the next five years.

A large percentage of the letters to EPA came from people in Homer, Kenai and Soldotna, according to Jacobson.

About 70 percent of the comments supported industry claims that the new regulations are too stringent. The remaining 30 percent pushed for even tighter restrictions, like the so-called "zero-discharge" provision.

"A large number of people are concerned about the possible negative impact on the oil industry," said Laurie Mann, an environmental specialist at EPA who wrote the permit. "That they're going to lose their jobs, or someone in their family is going to lose their job."

Since the last permit expired four years ago, environmental groups have been pushing the EPA to outlaw any discharge. Oil companies lobbied hard against the zero-discharge requirement, which they said would shut down already marginal production facilities in the inlet.

See EPA, back page

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The final version most likely will be released sometime this year, followed by a 120-day challenge period.

Borough will discuss EPA discharge permit Tuesday

The Kenai Peninsula Borough Assembly will discuss the U.S. Environmental Protection Agency's recently released discharge permit at its next meeting, scheduled for Tuesday at 7:30 p.m.

Borough Mayor Don Gilman has introduced a resolution to support EPA's National Pollutant Discharge Elimination System permit, which will regulate Cook Inlet oil facilities.

The public is welcome to comment on the resolution, which is scheduled to be voted on at the meeting. The meeting will be held in the assembly chambers in the Soldotna Borough Building.

New hearing set for inlet discharges

By KIRSTEN SCHULTZ

Peninsula Clarion JAN. 12 '96

The U.S. Environmental Protection Agency has received so much public comment on its plans to regulate waste-water discharge in Cook Inlet that it will hold another hearing on the Kenai Peninsula.

The agency, which released its new National Pollutant Discharge Elimination System permit late last year, has been inundated with letters and phone calls from Southcentral residents.

According to Bob Jacobson, regional press officer with EPA in Seattle, "the volume of letters on the proposed permit is unusually heavy for this stage of the game." The proposal's comment period isn't up until the end of January.

So far, EPA has received more than 200 letters commenting on the permit, which will regulate what oil facilities can pour into inlet waters. The permit will apply to the inlet's 15 platforms for the next five years.

A large percentage of the letters to EPA came from people in Homer, Kenai and Soldotna, according to Jacobson.

About 70 percent of the comments supported industry claims that the new regulations are too stringent. The remaining 30 percent pushed for even tighter restrictions, like the so-called "zero-discharge" provision.

"A large number of people are concerned about the possible negative impact on the oil industry," said Laurie Mann, an environmental specialist at EPA who wrote the permit. "That they're going to lose their jobs, or someone in their family is going to lose their job."

Since the last permit expired four years ago, environmental groups have been pushing the EPA to outlaw any discharge. Oil companies lobbied hard against the zero-discharge requirement, which they said would shut down already marginal production facilities in the inlet.

See EPA, back page

Northern Test Lab

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FAX MEMO

Date: 23 February 1996

To: House Resources Committee Fax: 465-4316
Representatives Green, Williams, Ogan, Barnes, Kott, Austerman,
Davies, Long, Nicholia

Copy: Representative Gary Davis Fax: 465-3835

From: Mike Tauriainen



I am writing to comment on the draft NPDES Permit for Cook Inlet Oil & Gas Exploration, Development, and Production. I have lived and worked in the Kenai-Soldotna area since 1959 and own a consulting engineering and environmental business. My family and I hunt, fish, play, and work on the Kenai Peninsula and are concerned about what happens to our community and the environment.

The proposed permit conditions are too stringent. I believe the permit should be renewed as is to allow the industry to continue operating essentially as they have. Our firm is regularly involved in environmental investigations, giving me a better than average understanding of industry impacts on the local environment. We test discharges from 12 Cook Inlet oil facilities on a weekly or monthly basis - roughly 500 - 600 samples per year; permit limits are exceeded maybe a half dozen times per year, and when they happen, the problems are usually rectified immediately. Just like the rest of us, the oil industry is not perfect, but they do a good job and are good neighbors.

Several studies have been done on the Inlet, some looking specifically for environmental degradation caused by the oil industry. The results? No indication of significant environmental damage, contrary to claims by a few environmental extremists. The challenges and cost of operating in Alaska and Cook Inlet are already burdensome. Sampling is costly because samples have to be transported by helicopter. I am concerned that the proposed permit would add an unfair burden on the oil operators in Cook Inlet and would result in cut backs and loss of jobs.

We have a good balance in Cook Inlet between development and environmental protection (other than too many regulations already). Please base the permit conditions on already available scientific evidence and not on emotion. Thanks for the opportunity to comment.

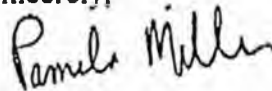
February 21, 1996

TO: Jeff Logan, Staff for Joe Green
FROM: Pamela Miller, Greenpeace
RE: Materials for Hearing on HJR 59

Here is a copy of an open letter I sent to the Kenai Peninsula delegation concerning the NPDES permit for oil and gas discharges in Cook Inlet. Also attached is a report from Dr. Robert Howarth of Cornell University who reviewed the draft permit and associated documents. Please attach these to the legislators information packets concerning HJR 59. Thank you.

Have you recieved any information on whether we can testify by teleconference for the hearing on Friday? I appreciate that you contacted me to inform me of the opportunity to testify.

Sincerely,

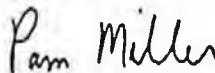
A handwritten signature in cursive script that reads "Pamela Miller".

Pamela Miller

Your letter was irresponsible in light of the deep concerns of local citizens, especially Native communities (see letter attached from the Indigenous People's Council for Marine Mammals). I urge you to reconsider your opinion and write to EPA asking that the oil industry be required to meet zero discharge standards. Zero discharge is the norm for the oil and gas industry throughout the country -- it is not an undue technological or economic burden. Industry has greatly exaggerated the potential economic impacts of zero discharge in Cook Inlet (see attached comments). An economist, Dr. Thomas Goerold, who reviewed the permit concluded: "I believe that EPA has underestimated the future profitability of the petroleum operations in this region and overestimated the likelihood of the shutting-in of existing and currently planned platforms."

Thank you for your consideration of my comments. I would welcome an opportunity to discuss this issue further.

Sincerely,



Pamela K. Miller

Researcher

Community Toxics Investigative and Advocacy Project

cc:

Peninsula Clarion

Homer News

Homer Tribune

Anchorage Daily News



February 19, 1996

An Open Letter to the Kenai Peninsula Delegation
Senator Judy Salo
Senator John Torgerson
Representative Gary Davis
Representative Mike Navarre
Representative Gail Phillips

Dear Ms. Salo, Mr. Torgerson, Mr. Davis, Mr. Navarre, and Ms. Phillips:

I am writing in response to your December 18, 1995 letter to Mr. Charles Clark, Director, EPA Region 10, regarding the proposed NPDES permit for oil and gas discharges in Cook Inlet. In the letter, you stated that "regulations for the oil and gas industry must be derived from sound scientific measurement and observation and then tempered by economic considerations." You stated that you "concur with the concerns expressed by UNOCAL."

I was disappointed in your response to the EPA because you have only reiterated UNOCAL's position on the permit. You have not, I believe, given adequate consideration to legitimate and scientifically-founded concerns regarding the reissuance of the permit. We asked an independent scientist from Cornell University, Dr. Robert Howarth, to review the draft permit and associated documents (including CIRCAC, MMS, and industry studies). Dr. Howarth is an internationally renowned scientist (his report and credentials are enclosed) who has served on a number of National Academy of Sciences panels and is the Atkinson Professor of Ecology and Environmental Biology at Cornell University.

Dr. Howarth concluded "that the scientific basis for issuing the proposed NPDES permit is flawed and inadequate." His report details the potential and pathways for transport and bioaccumulation of pollutants from the oil and gas industry. He clearly demonstrates that previous studies in Cook Inlet are inconclusive: "the actual risk to the biota of Cook Inlet cannot be adequately determined but is likely to be far greater than stated." Monitoring standards required by EPA in the draft permit are inadequate, *not* excessive.

COMMENTS ON THE PROPOSED NPDES GENERAL PERMIT FOR
OIL AND GAS EXPLORATION, DEVELOPMENT, AND PRODUCTION
FACILITIES IN COOK INLET, ALASKA

by

Robert W. Howarth, Ph.D.
Section of Ecology & Systematics
Division of Biological Sciences
Cornell University
Ithaca, NY 14853 USA

25 January 1996

I have carefully reviewed the draft NPDES Permit #AKG285100 for Cook Inlet, the September 7, 1995 "Cook Inlet (Reissuance) Fact Sheet" for that permit, and the November 1995 report from Parametrix on "Mixing Zone Determination and Risk Assessment of Produced Waters from Oil and Gas Facilities in Cook Inlet, Alaska" which is relied upon heavily in the draft permit. Based on this review, I conclude that the scientific basis for issuing the proposed NPDES permit is flawed and inadequate. The actual risk to the biota of Cook Inlet cannot be adequately determined from the information provided in these reports but is likely to be far greater than stated.

The "Cook Inlet (Reissuance) Fact Sheet" for the proposed permit states: "If a definitive determination of no unreasonable degradation cannot be made because of insufficient information, EPA must then determine whether a discharge will cause irreparable harm to the marine environment and whether there are reasonable alternative to on-site disposal" (p. 7). The application of this policy to Cook Inlet mandates further analysis. I believe that such further analysis will lead to a requirement for alternatives to in situ disposal, such as reinjection of formation waters and shore-based disposal (and recycling and re-use) of drilling fluids (Howarth and Marino 1991). Since such alternatives are possible, the proposed permit conflicts with the "national policy that, whenever feasible, pollution should be prevented or reduced at the source, that pollution which cannot be prevented should be recycled in an environmentally safe manner, and that disposal or release into the environment should be employed only as a last resort" (p. 35 of "Cook Inlet (Reissuance) Fact Sheet"). Major failings of the permit and associated reports follow.

Bioaccumulation of Toxic Substances is Ignored:

The draft permit and fact sheet make no mention of the accumulation of oil hydrocarbons and other toxic substances in living organisms. In the supporting document for estimating mixing zones, Parametrix (1995) discounts problems with bioaccumulation and bioconcentration of toxic substances in formation waters. Their logic is based on the relatively low octanol-water partitioning coefficient for many oil hydrocarbons in formation waters, on a supposed rapid elimination of oil hydrocarbons from marine organisms, and on the often low and variable concentrations of oil hydrocarbons found in previous monitoring efforts in Cook Inlet (Parametrix 1995, pp. 24-25). Parametrix (1995) goes on to assert that "the few marine mammals and birds known to occupy upper Cook Inlet are unlikely to be at risk from exposure to produced water constituents since these compounds do not readily bioaccumulate" (p. 30).

These conclusions and the underlying logic are wrong. All of the hydrocarbons considered by Parametrix (1995) preferentially accumulate in fatty tissues over seawater, as shown by octanol-water partitioning coefficients well over 1 and as high as 2,000 (Table E-a in Parametrix 1995). This simply must be explicitly considered in determining the exposure of organisms to toxic substances and therefore the size of the mixing zone, and cannot be dismissed by simple references to others who say that a little bioconcentration is O.K. (Parametrix 1995, p. 25). According to the National Academy of Science's report on Oil in the Sea: "Numerous studies have shown that bivalves can accumulate hydrocarbons to a level several orders of magnitude above the concentration in the water (NAS 1985, p. 239). Table 4-3 of that report supports this statement and specifically shows high levels of bioaccumulation of naphthalene and diaromatics, major toxic components of formation waters.

Parametrix (1995, p. 25) states that the hydrocarbons taken up from formation waters into organisms will be rapidly depurated or removed from the organism. Such depuration can occur, but is often much slower than stated by Parametrix (1995). The length of original exposure of the organism to the pollutants is critical, with depuration being much longer in chronic pollution conditions (such as associated with formation waters) than in the short-term lab exposure studies cited by Parametrix (1995); see pp. 299-302 of the National Academy of Science report (NAS 1985). In the case of chronic pollution, the half life for depuration can be more than 1 month (NAS 1985, pp. 300-301), far longer than the hours to days stated by Parametrix (1995).

Parametrix (1995, p. 24) cites monitoring studies which have shown generally low concentrations of oil hydrocarbons in organisms near rigs, or in the case of the Arthur D. Little study, the lack of "any clear spatial pattern associated with the produced water outfall for the Trading Bay Production

Facility." Rather than indicating no problem with bioaccumulation, these findings may result from long-range transport of substances away from discharge sites, with bioaccumulation which is highly variable in space and may be most pronounced well away from rigs (where there has been little or no monitoring). The possibility of long-range transport is discussed further below.

Bioaccumulation poses a particular threat to birds and marine mammals since they have no gills through which oil hydrocarbons are equilibrated back into solution in seawater. Bioaccumulation in birds and mammals is often through the food they consume (NAS 1985, p. 303). The extent to which birds and marine mammals (including endangered species) in Cook Inlet are currently exposed to toxic oil hydrocarbons from formation waters and other sources is completely unknown and needs to be assessed before further discharges should be permitted.

Assumption that NPDES Permit will not Increase Pollution is Wrong:

Page 8 of the fact sheet issued in September 1995 for the proposed permit states: "The reissuance of this permit will not result in additional pollutant loading to the receiving waters; therefore, this action complies with the State's antidegradation policy." This statement is not correct. The amount of formation water produced during OCS development increases dramatically with age in a well and in a field. In a new well, the volume of formation water is small relative to the amount of oil produced, but in an old well may produce 20-times more formation water than oil (Neff et al. 1987). Thus, if current production rigs in Cook Inlet are allowed to continue to use the same technology, pollution from formation waters is likely to increase substantially over time under the new NPDES permit.

Proposed Testing Procedures are Extremely Permissive:

For monitoring effects, the proposed permit would rely very heavily on acute toxicity testing, or LC50's, where test organisms are exposed to various dilutions of effluents for 96 hrs and the concentration which kills half the test organisms is estimated. LC50 tests would be the only toxicity testing for drilling fluids (p. 16 of draft permit). For formation waters, LC50's would still be the primary method of determining toxicity, but tests would be augmented with determinations of pollutant effects on growth and some other sublethal effects (p. 24 of draft permit). To date, only LC50 and growth studies have been performed for effluents in Cook Inlet (Parametrix 1995, pp. 7-8 and 35). These tests are the basis for one of the approaches used to estimate required mixing zones for effluent discharges under the permit (p. 31 of "Cook Inlet (Reissuance) Fact Sheet").

Problems with LC50 approach are thoroughly reviewed and discussed in the 1985 National Academy of Sciences' report (NAS 1985), by Schindler (1987) and by Howarth (1989). The approach tends to greatly underestimate ecological harm. In the case of dissolved oil hydrocarbons, LC50 tests often lead to "values of concern" of 1,000 to 3,000 $\mu\text{g}/\text{l}$, while adverse ecological effects occur at oil concentrations as low as a few $\mu\text{g}/\text{l}$ (NAS 1985; Howarth 1989). The National Academy of Sciences' report (NAS 1985) recommends that LC50 tests be used only to compare the toxicity of different substances or to compare the sensitivity of different organisms or life stages, and not to predict ecological harm or set "safe levels," as the draft NPDES attempts. "Such bioassays are helpful in ranking oils in order of toxicity but are of limited value for ecological prediction" (NAS 1985, p. 163).

Using growth rather than death as the measure in toxicity tests does little to improve the situation, and in fact the two approaches give comparable results (Parametrix 1995, pp. 35-38). This is at least in part due to the insensitivity of using growth rate as a measure. According to the National Academy of Sciences' report, "growth of fish is relatively easy to monitor, but fish require long exposure times before significant differences can be detected, compared with controls" (NAS 1985, p. 189). That report goes on to suggest that using behavioral changes provides a much more sensitive test of adverse effects from oil (NAS 1985; pp. 138-139). The NPDES permit would require no such testing. Some sublethal testing would be required, but only for formation waters (not drilling mud discharges), and only fecundity and larval development in two test invertebrate populations would be measured (p. 24 of draft permit).

In situ Environmental Monitoring is Inadequate:

During exploratory drilling, the proposed NPDES permit would require monitoring for changes in sediment pollutant concentrations and for impacts on the benthic community (p. 17 of draft permit). Previous monitoring efforts in Cook Inlet have been unable to see a major effect on the benthos during exploratory drilling, nor have they generally observed a predictable increase in pollutants near rigs. This, however, contrasts with studies elsewhere. In the North Sea, effects from chronic pollution associated with OCS activity have been clearly documented (Kingston 1987; Bakke et al. 1989-b; Reiersen et al. 1989; Gray 1989; Gray et al. 1990). Interestingly, effects have been seen even when low toxicity drilling fluids have been used (Kingston 1987; Reiersen et al. 1989), and these benthic effects were not predictable from toxicity testing, even including non-lethal testing (Bakke et al. 1989-a). The lack of measurable accumulation of pollutants near rigs in Cook Inlet, and the lack of a clearly demonstrable effect of pollutants on the benthos there, may be the result of transport of toxic substances away from the rigs (see discussion

below). Such transport seems likely given the strong tides and currents which characterize Cook Inlet. Without knowledge of the fate of the toxic substances discharged, it is impossible to estimate the amount of ecological harm. At present, this fate is unknown.

Under the terms of the proposed NPDES permit, environmental monitoring during development activities may not be required: "An exemption to post-drilling monitoring will be granted if no impact was indicated during drilling" (p. 17 of draft permit). This ignores potential problems of pollution from the formation waters during production. Continuous monitoring throughout the life of the field should be required, particularly since the volume of formation waters increases in an older field (discussed above).

Long-Range Transport of Toxic Substances is Ignored:

The draft permit and supporting documents fail completely to discuss the probability that toxic substances, both from drilling fluids and from formation waters, are likely to be transported for significant distances from the site of discharge. An implicit assumption behind the mixing zone models used (Parametrix 1995) is that such transport occurs, but apparently it is assumed that toxic substances will be diluted during such transport. Toxic materials may well be dispersed and diluted, but they may well also be accumulating in low-energy environments, including such sensitive areas as coastal marshes. The majority of toxic discharges from OCS operations are either particle bound or quickly become particle bound in the environment, particularly onto fine particles. Such fine particles, and associated pollutants, can easily accumulate in low-energy environments long distances away

Currently in Cook Inlet, the fate of toxic discharges is not known, and very little is known about transport of such substances. However, two reports present data which hint at accumulation of pollutant oil hydrocarbons away from rigs. Neff and Douglas (1944, as cited on page II.A.15 of the 1995 DEIS for lease sale 149 in Cook Inlet) found very high levels of petroleum hydrocarbons (8.97 to 13.76 ppm) 2 miles to the northeast of an outfall, concentrations much greater than found closer to rigs in Cook Inlet. Also, Arthur D. Little, Inc. (1995, pp. 3-4) found higher levels of sediment oil contamination at two sites away from rigs than near rigs and outfalls in the Beluga River and Trading Bay areas of Cook Inlet. Further discharges of formation waters should not be allowed in Cook Inlet until the fate of toxic hydrocarbons in such discharges is better known.

Problems with Synthetic Drilling Muds are Not Adequately Considered:

The "Cook Inlet (Reissuance) Fact Sheet" implies that synthetic drilling muds will be allowed and states that "preliminary data" show the toxicity of these muds to be similar to others used under Region 10's NPDES permit (pp. 18-19). The mutagenic and carcinogenic potential of synthetic oils is greater than that for natural crude oils (NAS 1985, p. 478). This led the National Academy of Science's report to conclude that "...the future use and discharge of these synthetic products should be monitored with care" (NAS 1985, p. 478). The testing procedures proposed for the NPDES permit are totally unable to determine whether the discharges are having mutagenic or carcinogenic effects.

Effects within Mixing Zone are Ignored, and Standards are Permissive:

The size of the proposed mixing zones are set by the State of Alaska water quality standards: 10 µg/l for aromatic hydrocarbons, and 15 µg/l for total aqueous hydrocarbons (p. 29 of "fact sheet"). These values may not be adequate, and if they are, they barely are. The National Academy of Science's report (NAS 1985) points out numerous biological effects which occur at lower concentrations of dissolved oil hydrocarbons, concentrations as low as 1 µg/l or less. Also, it is important to note that the toxicity of oil hydrocarbons in formation waters is higher than for many other oils since formation waters are enriched in the most water soluble, toxic fractions (Howarth and Marino 1991, p. 6). Benzene alone, which is a known carcinogen in addition to being extremely toxic, can constitute 30-40% of the oil discharged in formation waters in Alaska (NAS 1985, p. 474).

The report of the National Academy of Sciences (NAS 1985) is particularly concerned over the effects of fairly low levels of oil hydrocarbons on behavior. "Of all the processes examined, the perturbation of normal behavior at very low concentrations of petroleum (as low as 10 µg/L) suggests a particular concern. The continuance of normal behavior underlies and is absolutely critical to larval settling, feeding, reproduction, substrate recognition, and homing. In this context a change in or cessation of feeding is one of the first indications of oil pollution in many test animals." (NAS 1985, p. 486).

Even if one accepts the Alaskan water quality standards as adequate, it is critical to note that these cannot be met in Cook Inlet at the end of pipe discharges. The draft permit fully acknowledges that a "mixing zone" is required to allow for pollution to be diluted to these levels. Within the mixing zone, pollutant concentrations will be incredibly high: as high as 182,000 µg/l for total aromatic hydrocarbons from formation waters (p. 23 of draft permit). Organisms within this area will certainly be adversely affected. To meet the Alaskan water quality standard, mixing zones of up to 955 m (for

Granite Point) are proposed. This corresponds to an area of up to 720,000 m² around individual discharges. The draft permit and supporting documents make absolutely no effort to assess the magnitude of ecological harm from the pollution allowed within these areas.

Potential Effects on Marine Mammals are Real and Underestimated:

Even within the rather permissive analysis of the draft permit, it is acknowledged that species such as Beluga whales are at risk (p. 27 of "fact sheet"). The permit makes no provision for dealing with this risk. And for the reasons outlined above, the risk to Beluga whales and other species is probably much greater than the draft permit and supporting documents estimate. At present, it is probably not possible to fully assess the risk to marine mammals such as whales, and "probably less is known of how oil affects marine mammals than any other group of marine organisms" (NAS 1985). In addition to potential direct effects from bioconcentration of oil hydrocarbons in whales (discussed above), "marine mammals including whales may be adversely affected by alterations in the ecosystems supporting them, changing food webs. For instance, amphipods -- which regularly disappear from oil-contaminated sediments -- are a favored food for gray whales....." (Howarth and Marino 1991, p. 31). Such considerations dictate that toxic pollutants not be discharged into Cook Inlet until their effects can be better understood and predicted.

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About the Author:

Robert W. Howarth is an expert in coastal water quality and oil pollution. He received his Ph.D. in Biological Oceanography from the MIT/Woods Hole Oceanographic Institution Joint Program in 1979. He served as a staff research scientist in Woods Hole for 6 years before joining the faculty at Cornell University in 1985. At Cornell, Howarth is the Atkinson Professor of Ecology & Environmental Biology, the Director of Graduate Studies in Ecology & Evolutionary Biology, the Director of the Program in Biogeochemistry & Environmental Change, and the Director of the Cornell Laboratory for Natural Abundance Isotope Analysis. He is also the Editor-in-Chief of the international journal *Biogeochemistry* and the co-chair of the International SCOPE Nitrogen Project.

Howarth has published over 80 scientific articles. His research is funded by the National Science Foundation, the SeaGrant Program, the Hudson River Foundation, and the Mellon Foundation. Howarth has served on 8 committees, panels, and working groups of the National Academy of Sciences. In the past few years, he has served as a member of the NAS Committee on Managing Wastewater in Coastal Urban Areas, the NAS Committee on the Coastal Ocean, and the NAS Committee on High-Priority National Needs in the Coastal Zone. He is also a member of the NAS Panel on Nitrogen Cycling in China and chairs the NAS Working Group on the Conduct of Science on Public Lands. Howarth serves as a member of the Committee on Ethics of the American Society of Limnology & Oceanography and of the Advisory Committee for the Sustainable Biosphere Project of the Ecological Society of America.



Indigenous People's Council for Marine Mammals

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23 January 1996

Environmental Protection Agency, Region 10
Attn: Ocean Programs Section, WD-137
1200 Sixth Avenue
Seattle, WA 98101

MEMBERS:

Alaska Eskimo
Whaling Commission

Alaska & Inuvialuit
Beluga Whale Committee

Alaska Sea Otter
Commission

Arctic Marine
Resources Commission

Assn. of Village
Council Presidents

Bristol Bay Native
Association

Eskimo Walrus
Commission

Inuit Circumpolar
Conference

North Slope Borough
Dept. of Wildlife Mgmt.

Pribilof Aleut Fur
Seal Commission

Southeast Native
Subsistence Commission

RurAL CAP STAFF:

Carl Jack
Subsistence Director

Carol Torsen
Subsistence Coordinator

Carl Hild
Marine Mammal Biologist

To whom it may concern:

This letter is commentary on the Draft National Pollution Discharge Elimination System (NPDES) Permit for Cook Inlet Oil and Gas Exploration, Development and Production. My comments will focus largely on the marine mammals of the region and the materials in the EPA's fact sheet and proposed permit. I am opposed to issuing the permit as it stands and would request that a zero discharge permit be issued for this region.

In 1994 and 1995 I participated as a member of the U.S. delegation to the eight nation Arctic Monitoring and Assessment Program (AMAP). The major theme of the AMAP report that is being prepared is that pollution from all over the globe is moving to the north and impacting living systems.

AMAP considers movement of pollutants on a global scale. Within this permit the exclusion zones range from 1000 m to 20 miles along a relatively closed inlet system. Considering the inlet has the second highest tidal action in the world there will be movement of any discharged materials. Unfortunately this movement is not so much one of flushing, particularly in the winter months when fresh water input into the inlet is limited, but one of sloshing about in a tub of dirty water.

Materials discharged from a site will move at one period of the day down to the ocean in the normal current and with the outgoing tide. Within a few hours the tide changes and the materials reverse their action and move up the inlet perhaps even past their point of origin. Those materials discharged during tidal flow will first move up the inlet. During the Exxon Valdez oil spill, weathered crude was found well up the inlet in the summer, indicating that even at a time of increased river flow materials can move up the inlet over time.

EPA 1/96 - Hild

Water movement and exclusion zones are therefore a concern. The fact sheet states that unique habitat was considered in this permit and that discharge is not allowed in some selected areas. Exclusion limits are mentioned for Steller Sea Lion aquatic foraging area (please note that this animal was named for a biologist whose name was Steller not for stars and so the spelling needs to be corrected), as well as for Sugarloaf Island, and other areas along the inlet. The implication is that with these exclusions that the permit would be safe for unique habitat and species of the region.

On the other hand, within the permit on page 37 under "2. Produced Water" it states that it "may affect, but is not likely to adversely affect, all of the considered species except the Beluga whale." The paragraph ends with the EPA concluding that "'may adversely affect' is based on lack of conclusive evidence regarding the actual impact of produced water discharges upon the species." This to my mind means that there is concern for the entire inlet for the Beluga whale.

In addition there is conflict with the concepts behind the mixing zones. The mixing zones have been described and it is noted that due to the flow of water in the Inlet, with its extremely high tides, any discharges will be stirred well. These statements are contradictory to the relatively small exclusion zones (1,000 - 1,500 m) that have been established for most of the Inlet. If there is a great deal of water movement, then that would require larger exclusion zones, especially if that movement is one of back and forth and not flushing in just one direction. I therefore have serious concerns over the mixing zones and relatively small discharge exclusion zones as outlined in the permit. This becomes a critical concern when the health of the marine mammals of the region are considered.

As stated above there may be adverse impact to Beluga. In 1994 I was appointed to sit on the National Scientific Review Group for the Alaska Region to evaluate all marine mammals under the amendments to the Marine Mammal Protection Act. Those reports list the Cook Inlet Beluga, and the Western Steller Sea Lion as "strategic stocks" which will be evaluated on an annual basis and for which habitat degradation must be considered. Harbor Seals were not classified due to a lack of definitive information. They have had significant declines in their population but it is unclear if there are multiple stocks and therefore the resilience of the animals.

Steller Sea Lions have been declining in this region for nearly twenty years. Harbor Seals have been declining in this region for nearly twenty years. Harbor Seals are known to feed on octopus which feed on benthic populations. Benthic animals pick up pollution as they are filter feeders and/or search the sediments for food. Therefore it is possible that Harbor Seals are being impacted by the years of discharge in the region.

Several years ago there was a massive die off of Harbor Seals in Europe. It has been concluded that the animals died of a virus. It has also now been found that the blubber of the animals that died had low levels of an organochlorine compound. This pollutant of itself was well within "safe limits" and did not cause the deaths, but it had compromised the animals' ability to fight off infection by depressing the immune systems.

In people we carry a herpes virus in our body. It does not manifest itself unless we are stressed. Work loads, sickness, poor nutrition can cause the eruption of "cold sores" or "fever blisters." These are indications that our system is weak. They are not related directly to a cold or fever, but are the manifestation of the virus itself. If we do not take care we can then become very sick, and if pneumonia sets in we can die. Those who die of pneumonia did not die of herpes, nor stress, nor even the sickness that may have made them bed ridden, but they do die of pneumonia.

Herring in Prince William Sound were observed to seriously suffer from a virus in 1993 four summers after the oil spill. It has been reported that they carry this virus all the time and it manifests itself when they are stressed. It is unknown what the exact stress was in 1992 or 1993 that caused the effect but the impact to herring, and the animals which feed on herring was evident.

Recent blood tests on Steller Sea Lions and Harbor Seals in this region, as reported by the University of Alaska Fairbanks Institute of Marine Studies, indicate from liver enzymes that they are under stress. It is unknown how stressed these animals are and what type of "straw it will take to break the camel's back" with a disease outbreak. No further pollution should be added to this scenario. We know that the ecosystem of the lower Cook Inlet is stressed. We have the ability to reduce pollution into the Inlet. We need to take precautions to

EPA 1/96 - Hild


protect these species before there is any further degradation of their health.

Alaska Native hunters in Cook Inlet, who are legally allowed to take Beluga whales for subsistence, have reported lesions, and tumors in the animals over the past few years. Only recently have tissues been sampled to evaluate the health of these animals. As more analysis is completed there will be a better understanding of the overall health of these animals. Until then, and in light of these physical signs of ill health, it is prudent to, where possible, reduce the pollution into Cook Inlet. This permit is an excellent way to address this concern.

Humpback and Fin whales are also listed as "endangered" and are "strategic stocks." They do not come up the inlet, however they do feed at its southern end. Therefore there are four and possibly soon to be five "strategic stocks" which live and feed in the effluent of Cook Inlet. Two are already "endangered," and one is being considered to be listed as "endangered." I am not aware of any other area of the country where there is that type of concentration of marine mammals of concern which could all be impacted by one NPDES permit. It is incumbent upon EPA and ADEC to make this a zero discharge permit.

There has been an old saying "the solution to pollution is dilution." For centuries this has been the practice. What is now known is that no matter where pollution is created, and no matter what medium it is disposed into for dilution, it will move to areas of less energy, be metabolized and become incorporated into living systems. The EPA and the Alaska Department of Environmental Conservation have officially stated that their philosophy is one of pollution prevention. The Clean Water Act states that the national goal is to eliminate the discharge of pollutants into navigable waters. Considering the best technology available, the best management practice would be to insist on a zero discharge permit for this region.

Sincerely,



Carl M. Hild, M.S.Sci.Mgmt.
Biologist / Planner

HJR

60

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HJR60

Revision Date: Original Dept Affected Natural Resources
 Title: Relating to Revised Statute BRU: Resource Development
2477 rights-of-way Component: Land Development
 Sponsor: House State Affairs
 Requestor: _____ Component Serial No. 431

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
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 EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY96) cost: \$ none

POSITIONS	FY97	FY98	FY99	FY00	FY01	FY02
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)

Last year the Department of Interior drafted regulations that attempted to ignore over 100 years of state law, defined "construction" in a way that was not in Alaska's best interest, and tried to establish a statute of limitations on assertions.

In response Congress prevented the federal government from expending any funds to finalize their draft regulations until after September 30, 1996. Pending legislation was also introduced in both houses that would adopt standards for identifying and processing RS 2477s that are the opposite of the Department of Interior draft regulations.

The resolution urges Congress to protect the state's interest and to include a reasonable period and process for assertion of RS 2477 regulations.

Prepared by: Jane Angvik, Director Phone: 269-8503
 Division: Land Date: 21-Feb-96
 Approved by Commissioner: _____ Date: 21-Feb-96
 Agency: Natural Resources

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. HR 60

Title: Relating to RS 2477
 Sponsor: Rep. James
 Requestor: _____

Dept. Affected: LAA
 BRU: _____
 Components: _____
 Serial #: _____

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
----------------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
----------------	---	---	---	---	---	---

FUNDING: (THOUSANDS OF DOLLARS)

General Fund						
Federal Fund						
Other						
TOTAL	0	0	0	0	0	0

POSITIONS:

Full-Time						
Part-Time						
Temporary						

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

see attached analysis

Prepared by: H. State Affairs Committee
by Walt Wilcox
Leg Aiden
Paul Klein

Date: 2/19/96
 Phone: 465-3743
 Phone: _____



STATE OF ALASKA

THE ALASKA STATE LEGISLATURE

House of Representatives

Representative Jeannette James

Chair of House State Affairs Committee

Capitol Building

Juneau, AK 99801-2197

(907) 465-3743 ph

(907) 465-2381 fax

Sponsor Statement

February 19, 1996

HJR 60 RS 2477 highway rights of way

By Rep. Jeannette James

Federal Revised Statute 2477 (RS 2477) provided for "the right-of-way" for the construction of highways over public lands, not reserved for public use. HJR 60 preserves access all over Alaska using traditional roads and trails for future roads and trails.

Congress repealed RS 2477 in 1976, but reserved existing rights-of-way created under RS 2477.

The US Department of the Interior is attempting to administratively recind the long-standing and widely accepted interpretation of RS 2477 by adopting regulations restrictively defining key statutory terms contrary to the intent of the Congress and virtually eliminating all RS 2477 rights-of-way in Alaska.

S. 1425 has been introduced in the US Senate, and H.R. 2081 has been introduced in the US House to preserve the long standing judicial and executive interpretation of RS 2477 and to protect the existing rights-of-ways previously granted by the federal government under RS 2477.

HJR 60 supports the federal legislation and asks that the US government allow us a reasonable period and process for the assertion, recognition, and determination of the existence RS 2477 rights-of-way.

FEB 20 1996



STATE OF ALASKA

THE ALASKA STATE LEGISLATURE

House of Representatives

Representative Jeannette James

Chair of House State Affairs Committee

Capitol Building

Juneau, AK 99801-2197

(907) 465-3743 ph

(907) 465-2381 fax

February 20, 1996

To: House Resources Committee

Attn: Rep. Green

From: Rep. Jeannette James

Re: HJR 60 hearing request

Please schedule HJR 60 for a hearing at your earliest opportunity, it is explained below.

Federal Revised Statute 2477 (RS 2477) provided for "the right-of-way" for the construction of highways over public lands, not reserved for public uses. This preserves access all over Alaska using traditional roads and trails for current and future roads and trails.

Congress repealed RS 2477 in 1976, but reserved existing rights-of-way created under RS 2477.

The US Department of the Interior is attempting to administratively recind the long-standing and widely accepted interpretation of RS 2477 by adopting regulations restrictively defining key statutory terms contrary to the intent of the Congress and virtually eliminating all RS 2477 rights-of-way in Alaska.

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HJR 60 supports the federal legislation and asks that the US government allow us a reasonable period and process for the assertion, recognition, and determination of the existence RS 2477 rights-of-way.

3/12/96
Version A

AMENDMENT

OFFERED IN HOUSE RESOURCES

BY REPRESENTATIVE JOHN DAVIES

TO: HJR 60:

Page 2, line 25-29:

Delete all material

TYONEK NATIVE CORPORATION

1689 C Street, Suite 219
Anchorage, Alaska 99501
(907)272-0707

Senator Georgianna Lincoln
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

March 14, 1996

Faxed this date to (907)465-2652

Dear Senator Lincoln:

Tyonek Native Corporation and The Native Village of Tyonek are requesting your assistance in conveying our concerns over House Joint Resolution No. 60. relating to Revised Statute 2477 right-of-way(RS2477).

Please be aware that the State has made a claim of RS2477(#200) that crosses the Chuitna River at its mouth, takes out a 100 feet through the village, and violates the Russian Orthodox cemetery in the village, then travels on to the old village site where it terminates in the old village cemetery(also Russian Orthodox), turns around and comes back.

The purpose of RS2477 is supposedly to provide access to mineralized areas to the general public. As you know, Tyonek is a private community much like the private communities elsewhere in the lower 48. However to meet the needs of the resource development industry, Tyonek has already provided access to resource developers such as ARCO, Placer Dome, Unocal, to name a few. Such access was provided by Tyonek, at no cost to the State of Alaska and without disrupting the community. Why then is RS2477#200 needed? Why does the State need access to Tyonek's cemeteries?

RS2477 as written and proposed by U.S. Congress Bill H.R. 2081, provides for no public review or comment on any R.S. 2477 right-of-way, no permitting or environmental impact review, no compensation to the land owner(constituting a taking under the 5th Amendment), and no commitment by the State to maintain the right-of-way after its taken. While we agree that there are certain rights-of-way that everyone can agree to support, we cannot and do not support RS 2477 #200 in its present format, and have grave concerns about the constitutionality of RS2477 in its present form. Thank you for your support and consideration on this issue.

Sincerely,



Tom Harris
CEO, TNC





Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

Phone: 907-463-3366

Fax: 907-463-3312

The Alaska Environmental Lobby cannot support HJR 60

This resolution accurately quotes the language of RS 2477 providing that *"the right-of-way for the construction of highways over public lands, not reserved for public use, is hereby granted."*

It correctly notes the Federal Land Policy and Management Act repealing RS 2477 in 1976 expressly reserves existing rights-of-way created under RS 2477.

It laudably commits Alaska "to a balanced philosophy of the development and wise use of Alaska's scenic beauty, mineral wealth, wildlife, and other natural resources coupled with environmental protection to ensure future generations" might experience Alaska as we still know it.

However, this resolution's reliance on case law supporting the intent of a Congress that governed the United States 130 years ago might very well be misplaced. "The law must be stable, but it cannot stand still."

The resolution's confidence in a definition of "construction" satisfied by mere use is tenuous and-at the very least-will make lawyers wealthy.

Ultimately, however, HJR 60 fails to deserve support because it endorses bad legislation: US Senate Bill 1425 and US House Bill 2081. These Bills are open ended and do not address major concerns of many Alaskans such as the "taking" of private lands; the status of Native Lands; the disposition of surveyed and unsurveyed section lines, the scope of "upgrades" (winter trails across wetlands to all weather highways); unmanaged motorized access, and access to and through National Parks.

Unfortunately, Alaska is acquiring a poor reputation as steward of its resources. This resolution does nothing for that image and only provides more ammunition for those who say we're not.

3/13/96

ALASKA CENTER FOR THE ENVIRONMENT • ALASKA CHAPTER, SIERRA CLUB • ALASKA FRIENDS OF THE EARTH
ANCHORAGE AUDUBON SOCIETY • ARCTIC AUDUBON SOCIETY • CLEAN AIR COALITION • DENALI CITIZENS' COUNCIL
DENALI GROUP, SIERRA CLUB • JUNEAU AUDUBON SOCIETY • JUNEAU GROUP, SIERRA CLUB
KACHEMAK BAY CONSERVATION SOCIETY • KENAI PENINSULA AUDUBON SOCIETY • KNIK CANOERS AND KAYAKERS
KNIA GROUP, SIERRA CLUB • KODIAK AUDUBON SOCIETY • LYNN CANAL CONSERVATION • NORTHERN ALASKA ENVIRONMENTAL CENTER
PRINCE WILLIAM SOUND CONSERVATION ALLIANCE • SITKA CONSERVATION SOCIETY • SOUTHEAST ALASKA CONSERVATION COUNCIL • TONGASS CONSERVATION SOCIETY



March 12, 1996

Hello, my name is Robert Fox, and I am speaking on behalf of the Governmental Affairs Committee of the Fairbanks Chamber of Commerce.

I am speaking today in support of HB-469, legislation to transfer _____ acres of land to the University of Alaska. The University of Alaska is a Land Grant institution, and as such, should depend upon the land it was to receive as a means to bridge the financial valleys of Alaska's economy.

The University of Alaska has the infrastructure in place to properly manage and wisely develop grant lands, and to become stronger in the areas of instruction, research, and public service.

In the Chamber's resolution #95-0607, dated June 8, 1995, the Fairbanks Chamber of Commerce Board of Directors voiced their support for Senate Bill 16, and I have been directed to reaffirm our support and urge the passage of _____.

I am also before you to voice the Fairbanks Chamber of Commerce support for HJR 60, relating to RS-2477 rights of way. The right of the citizens of Alaska to access our lands, our wilderness, our hunting and fishing areas, and our resources are at stake. The Fairbanks Chamber of Commerce voiced ~~our~~ support of RS-2477 routes in Resolution 95-0511 and other communications, and remains firmly convinced that these routes are vital to all levels of our economy. We strongly urge the legislature and Gov. Tony Knowles to support the issue 100%!

Post-It™ brand fax transmittal memo 7671		# of pages > /
To: <u>Rep Williams</u>	From: <u>FBX LIO</u>	
Co: <u>HRES CMTF</u>	Co:	
Dept: <u>WRITTEN TESTIMONY</u>	Phone: <u>FDR</u>	
Case: <u>HB 469 + HJR 60</u>	Fax:	

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Juneau, Alaska 99801-2105*

Copies of minutes listed below were originally included in this file. The minutes are available on the legislative computer database. In order to save space copies of minutes have not been left in the files.

House Resources
3-14-96 1:12pm
HJR 60

Mary Pagenkopf

HJR

62

SCRIPT

HOUSE RESOURCES COMMITTEE

March 13, 1996

"We will now take testimony on House Resolution 62. It is my intent to move this bill today. I will have my aide give the sponsor statement and then we have Janice Adair from the Department of Environmental Conservation and then Jim Yonker from Ocean Beauty Seafoods. After that we will take other testimony from the teleconference sites and here in Juneau."

"I would like to move consideration of House Bill 118 to tomorrow's calendar."

Cheryl

Janice Adair, Director, Environmental Health, DEC

Jim Yonker, Ocean Beauty Seafoods

Teleconference sites

Juneau testimony

"I would entertain a motion to move HJR 62 from committee."

(Turn meeting back to Joe.)

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Copies of minutes listed below were originally included in this file. The minutes are available on the legislative computer database. In order to save space copies of minutes have not been left in the files.

Mary Pagenkopf

*House Resources
3-13-96 8:10am-
HJR 62*

Alaska State Legislature



Representative William K. Williams

Committees:
House Resources
Co-Chairman
World Trade &
State Federal Relations
Transportation
Rules
Oil & Gas

During Session:
State Capitol
Juneau, AK 99801-1182
(907) 465-3424
Fax (907) 465-3793

In Ketchikan:
352 Front Street
Ketchikan, AK 99901
(907) 247-4672
Fax (907) 225-8546

SPONSOR STATEMENT

House Joint Resolution 62

Requesting the federal government to purchase surplus 1995 Alaska canned pink salmon.

The Alaska canned pink salmon industry is facing a serious problem caused by record harvests in 1995. The record pack of nearly 4 million cases on a 48 tall basis is seriously affecting the industry's ability to move these surpluses.

The pink salmon harvest forecast for 1995 was 76.1 million but actually turned out to be 128 million. This was 51.9 million over forecast. The strength is attributed to good ocean survival.

USDA has traditionally required that canned salmon be processed under NMFS Type-1 Continuous Inspection, even though neither the commercial marketplace nor the U.S. Food and Drug Administration (FDA) makes this requirement. The canned salmon industry does not normally contract NMFS inspectors to oversee the processing operation unless there is an indication that there will be a USDA purchase program. In 1995, a letter was sent by USDA to the salmon industry indicating that, based on the harvest level forecasts at the time, a purchase was not warranted. Consequently, the bulk of the industry did not assume the additional expense of NMFS inspection. When the size of the run became apparent, it was too late to bring inspectors to the plants.

The industry is prepared to have the National Marine Fisheries Service (NMFS) Inspection Services Division conduct lot inspections of product processed in 1995 to certify that the product meets the technical requirements of the Commercial Item Description for canned salmon. NMFS believes these assurances should be deemed adequate for USDA purchases for its various programs.

House Joint Resolution 62 requests the federal government to purchase 1995 Alaska canned pink salmon surpluses for their domestic and export programs. These programs, managed by the Agricultural Marketing Service, include school lunch programs, export programs, assistance to low income persons and the federal prison system.

The resolution also asks the Department of Agriculture to waive the National Marine Fisheries Service Type-1 inspection requirement. The canned salmon industry operates under federal and State of Alaska regulations as well as the guidelines of the "Canned Salmon Control Plan and Container Integrity Program" which were developed in conjunction with the National Food Processors Association and FDA. Alaska canned salmon is traded internationally on the assurances of these programs.

At present, at least six major Alaska seafood companies have notified fishermen they will not be buying pink salmon for the 1996 season because of the surplus. This situation poses economic disaster for our fishermen and processors.

The canned pink salmon surpluses offer a highly nutritious and healthful product for the federal government's programs. It is imperative that USDA make a decision quickly. Operating plans and commitments to purchase cans and packaging material must be made now to be manufactured and shipped for the 1996 season.

Alaska State Legislature



Representative William K. Williams

Committees:
House Resources
Co-Chairman
World Trade &
State Federal Relations
Transportation
Rules
Oil & Gas

During Session:
State Capitol
Juneau, AK 99801-1182
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House Joint Resolution 62

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The canned pink salmon surpluses offer a highly nutritious and healthful product for the federal government's programs. It is imperative that USDA make a decision quickly. Operating plans and commitments to purchase cans and packaging material must be made now to be manufactured and shipped for the 1996 season.

FISCAL NOTE

STATE OF ALASKA
996 LEGISLATIVE SESSION

BILL NO. HJR 62

Title: Requesting the federal government to purchase surplus 1995 Alaska canned pink salmon. Dept. Affected _____
BRU: _____
 Sponsor: HOUSE RESOURCES COMMITTEE Components: _____
 Requestor: HOUSE RESOURCES COMMITTEE Serial # _____

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	00	00	00	00	00	00
CAPITAL	00	00	00	00	00	00
REVENUE	00	00	00	00	00	00

FUNDING: (THOUSANDS OF DOLLARS)

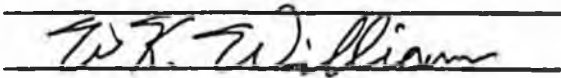
General Fund						
Federal Fund						
Other						
TOTAL	00	00	00	00	00	00

POSITIONS:

Full-Time						
Part-Time						
Temporary						

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

see attached analysis

Prepared by: HOUSE RESOURCES COMMITTEE
Representative Bill Williams


Date: March 12, 1996
 Phone: 465-3715
 Phone: _____

Alaska State Legislature



Committees:
House Resources
Co-Chairman
World Trade &
State Federal Relations
Transportation
Rules
Oil & Gas

Representative William K. Williams

During Session:
State Capitol
Juneau, AK 99801-1182
(907) 465-3424
Fax (907) 465-3793

In Ketchikan:
352 Front Street
Ketchikan, AK 99901
(907) 247-4672
Fax (907) 225-8546

February 22, 1996

Mr. Lon Hatamiya
Administrator, Agricultural Marketing Service
U.S. Department of Agriculture
Room 3071 South Building
14th and Independence Avenue, S.W.
Washington, D.C. 20250

SENT BY FAX TRANSMITTAL

Dear Mr. Hatamiya:

The U.S. pink salmon industry is facing a serious problem caused by near-record harvests in 1995. Over 117 million fish were landed resulting in a record pack of nearly 4 million cases on a 48 tall basis. Had the State of Alaska known the individual component strength of the returning salmon, we may have acted more pro-actively than re-actively.

The seafood processing industry and the fishermen of Alaska are now seeking an emergency purchase of canned pink salmon to alleviate a huge surplus situation.

As I understand the process, your department has traditionally required that fish products be processed under NMFS Type 1 - Continuous Inspection. Neither the commercial marketplace nor the U.S. Food and Drug Administration (FDA) demand this requirement. The canned pink salmon industry does not normally engage NMFS inspectors to oversee the processing unless there is an indication that there will be a USDA purchase program. Last summer, a letter was sent by USDA to the salmon industry indicating that, based on the best knowledge at the time, a purchase was not warranted, therefore the bulk of the industry did not assume the additional cost of NMFS inspection. When the size of the runs became apparent, it was too late to bring inspectors to the plants. As a result, only a small quantity of salmon was processed under Type 1 inspection. The amount of product was held by only one company and was determined to be too small to warrant a USDA program.

The industry is prepared to work with USDA and the NMFS Inspection Services Division to provide lot inspection if necessary. It should be known that the canned salmon industry operates under the regulations of the State of Alaska as well as guidelines of the "Canned Salmon Control Plan and Container Integrity Program" which were developed in conjunction with the National Food Processors Association and FDA. U.S. canned salmon is traded internationally on the assurances of these programs.

Mr. Lon S. Hatamiya
Page 2
February 22, 1996

I am very concerned with what will happen to our fishermen, processors, cannery workers and the State of Alaska this coming season if we cannot find relief. I request that you reconsider the decision to not purchase the 1995 pack of canned salmon and that you immediately begin a program to purchase canned pink salmon for your various programs. I appreciate your consideration of my request and look forward to hearing from you.

Sincerely,



William K. Williams
HOUSE OF REPRESENTATIVES

WKW:cs



UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 112
Juneau, Alaska 99801
907/586-2820
Fax: 907/463-2545

February 26, 1996

FAX: 202/720-2166

The Honorable Dan Glickman
Secretary of Agriculture
Office of the Secretary
U.S. Department of Agriculture
Washington, D.C. 20250

Dear Secretary Glickman:

United Fishermen of Alaska is a private, non-profit organization that represents all of the salmon gear types, longline fisheries, crab fisheries, vessel owners associations, and aquaculture associations. The interaction of these groups, as well as the pooling of their resources and expertise, makes for a formidable organization to address the issues that affect our industry. UFA works hard to promote the entire seafood industry. A large portion of UFA's commitment is basic education as to the facts and benefits of the seafood industry.

The U.S. pink salmon industry is facing a serious problem caused by near-record harvests in 1995. Over 117 million fish were landed resulting in a record pack of nearly four million cases on a 48 tall basis. Had the State of Alaska known the individual component strength of the returning salmon, it may have acted more pro-actively than reactively.

The seafood processing industry and the fishermen of Alaska are now seeking an emergency purchase of canned pink salmon to alleviate a huge surplus situation.

It is my understanding that the U.S. Department of Agriculture requires fish products be processed under NMFS Type 1 - Continuous Inspection. Neither the commercial marketplace nor the U.S. Food and Drug Administration (FDA) demand this requirement. The canned pink salmon industry does not normally engage NMFS inspectors to oversee the processing unless there is an indication that there will be a USDA purchase program. Last summer, a letter sent by USDA to the salmon industry indicated that a purchase was not warranted; therefore, the bulk of the industry did not assume the additional costs of NMFS inspection. When the size of the runs became apparent, it was too late to bring inspectors to the plants. As a result, only a small quantity of salmon was processed under Type 1 inspection. The amount of product was held by only one company and was determined to be too small to warrant a USDA program.

The industry is prepared to work with USDA and the NMFS Inspection Services Division to provide lot inspection if necessary. The canned salmon industry operates under the regulations of the State of Alaska as well as guidelines of the "Canned Salmon Control Plan and Container Integrity Program" which were developed in conjunction with the National Food Processors Association and the FDA. U.S. canned salmon is traded internationally on the assurances of these programs.

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Longline Fishermen's Association • Alaska Trappers Association • Area K Seiners Association
Bristol Bay Driftnetters Association • Concerned Area "M" Fishermen • Cook Inlet Aquaculture Association
Cordova District Fishermen Union • Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association
North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Peninsula Marketing Association
Petersonburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Purla Selma Vessel Owners Association
Seafood Producers Cooperative • Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association • United Cook Inlet Drift Association

The Honorable Dan Glickman
U.S. Secretary of Agriculture
U.S. Department of Agriculture


February 26, 1996
Page Two

Unless some relief comes this year, several companies that have existing high inventories will not open their canneries this season; in fact, some have already announced severe cutbacks in their operations and cancelled plant openings. The canned salmon industry is the largest private employer in the state of Alaska with over 39,000 employees. Another 35,000 people are employed in Washington state canneries and industry-related jobs. The existing surplus and plant closures or cutbacks will result in serious problems for the fishermen as well as the cannery workers and, ultimately, the entire salmon industry in the Pacific Northwest and Alaska.

United Fishermen of Alaska requests that the surplus removal programs managed by the Agricultural Marketing Service include purchases of canned pink salmon packed during the 1995 season. This is of critical importance to both the fishermen and the processors because operating plans and commitments to purchase cans and packaging material must be made in March 1996 to be in place for use during the 1996 Alaska salmon fishing season between June and September. A decision on this issue needs to be made as soon as possible and conveyed to the industry.

We look forward to hearing from you next month as to the decision made.

Sincerely,


Jerry McCune
President

cc: Senator Ted Stevens (FAX: 202/224-2354)
Senator Frank Murkowski (FAX: 202/224-5301)
Congressman Don Young (FAX: 202/225-2009)
Governor Tony Knowles (465-3523)

bcc: Art Scheunemann, Executive Director - ASMI (465-5572)
Debby Sedwick, Assistant Commissioner
Alaska Department of Commerce & Economic Development (907/269-8125)
Mary McDowell, Governor's Office (465-3532)
UFA Board of Directors

OCEAN BEAUTY SEAFOODS, INC.

VIA CERTIFIED MAIL

February 13, 1996

Mr. Lon Hatamiya
Administrator
Agricultural Marketing Services
U.S. Department of Agriculture
P.O. Box 96456
Washington D.C. 20090-5456

Subject: USDA Purchase of Surplus Alaska Canned Pink Salmon

Dear Mr. Hatamiya:

I have had the opportunity to review the discussions your division, the Agricultural Marketing Service (AMS) of the U.S. Department of Agriculture, has been involved in, with representatives of Alaska's canned salmon industry, since October 1995.

Evaluation of recent inventory figures indicates that Alaska's canned salmon industry will have a carry-over inventory from last year (June 30, 1995 - July 1, 1996) of approximately 1.7 million cases on a 48-can basis of canned pink salmon. This is almost double the previous inventory year. To further complicate matters, the pending production cycle for canned pink salmon shows no sign of letting up. Based on early projections for the 1996 harvest, Alaska's canned salmon industry could potentially have a carry-over inventory of 2.5 million cases of canned pink salmon by July 1, 1997.

Per your division's letter to the Alaska Seafood Marketing Institute's (ASMI) Executive Director, Art Schennemann, on June 29, 1995, the National Marine Fisheries Service (NMFS) "has not recommended that USDA purchase canned pink salmon this season." In this same USDA letter, the agency, through your Agriculture Marketing Service, agreed to monitor the salmon harvest and market conditions, and that "AMS will request that the secretary make funds available for a Section 32 contingency purchase program, if the situation warrants" it.

This letter is to advise you that the situation for Alaska's canned salmon industry now warrants a USDA "buy" for all programs monitored by the AMS. This includes whenever surplus food is purchased with federal funds under USDA auspicious; i.e., the federal prison system, federal export programs, school-lunch programs, or federal assistance programs for low-income parties. The Alaska canned salmon industry's request for AMS and USDA to meet the agency's own agreement, in their June 29, 1995 letter, is supported by:



C:\Marketing\Hj\021296.doc

1100 W. EWING ST. • P.O. BOX 70739 • SEATTLE, WASHINGTON 98107 • (206) 285-6800 • FAX (206) 281-5897

Feb. 15, 1996 5:33PM OCEAN BEAUTY SEAFOODS

- On October 11, 1995 staff from the Pacific Seafood Processors Association met with AMS in Washington D.C. and explained the necessity of a USDA buy for Alaska's canned pink salmon. At the same meeting PSPA staff requested a waiver by AMS from their requirement for a NMFS type-1, in-plant inspection for the 1995 carryover;
- On October 21, 1995 ten members of Congress wrote USDA's Secretary Glickman requesting the agency to purchase "this year's unexpected surplus of canned Alaska pink salmon. These ten representatives of Congress requested USDA to grant a waiver from the in-plant NMFS type-1 inspection for the 1995 carryover;
- On November 2, 1995 four members from the United States Senate Committee on Appropriations wrote Secretary Glickman and requested a "(USDA) purchase, under its various programs and authorities, or significant quantities or a large and unanticipated surplus of canned pink salmon." Also, the Senators requested a waiver from the NMFS type-1 inspection program on behalf of the industry;
- On December 14, 1995, a representative from ASMI's Washington D.C. legal staff met with you regarding USDA "buy" of canned pink salmon. AMS advised "they didn't feel they could do much now in the short-term period"; and
- On January 30, 1996 you and your staff met with ASMI's executive director in Washington D.C., and you advised that "USDA now acknowledges that fact that there is a surplus of canned salmon." You and your AMS group concluded you have all the data you need to make your recommendation to secretary Glickman.

On June 29, 1995 you stated that AMS would monitor "salmon harvest and market conditions." However, it has taken three and a half-months by AMS, before the agency has concluded that it is necessary, that they step forward, for a purchase of excess Alaska canned salmon. This is not acceptable to me on your part. Already one Alaska seafood company has filed for Chapter 11; another has announced it will not operate in 1996; and a third has advised their fisherman they will not purchase pink salmon to be canned in 1996.

You have not addressed the industry's and Congress' request for a waiver from the NMFS in-plant Type-1 inspection program. Rather you have on three occasions provided answers that are no answers. In fact by AMS's unwillingness to delete the necessity of a NMFS in-plant Type-1 inspection program, you have failed to respond to the President's Regulatory Review Initiative. By the Alaska canned salmon industry's regulatory compliance with the Food and Drug Administration, the State of Alaska, and the "Canned Salmon Control Plan and Warehouse Integrity Program" monitored by the National Food Processors Association, the validity and necessity of a NMFS in-plant, Type-1 inspection by you and the USDA is not even debatable. Rather AMS/USDA should address your concerns about quality control issues, through the use of a "lot inspection" program conducted in Seattle prior to labeling. It's unnecessary for AMS to adopt HACCP regulations for seafood, with FDA's new 123.0 "Seafood HACCP" regulation already published.

Other AMS Concerns

- Environmental - Alaska's canned salmon is packaged in steel containers that are tapered. This allows for easy stacking, one inside another, after use. More importantly, these containers have the highest rate of recycling of any material -- 40.9 percent;



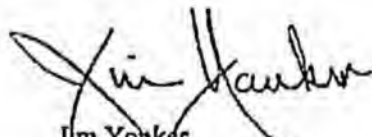
- Menus - ASMI is more than willing to work with any USDA program and its chefs and cooks in menu preparation/option; and
- "Shelf-life" - Per the National Food Processors Association, the acceptable shelf life for canned salmon is 72 months. As for an additional insurance buffer, as we use 60 months, this exceeds the USDA guidelines on "shelf-life" for canned meat which is nine months and includes an additional 12 - 14 months to cycle these products through various USDA channels of distribution.

In closing I would like to comment that scientific information provided by the Alaska Seafood Marketing Institution, the National Food Processor Association, the National Fisheries Institute and the National Marine Fisheries Service all document that Alaska's canned pink salmon products are an excellent source of high-quality protein, contain nearly all the essential amino acids, vitamins A and D, niacin and riboflavin from the B complex group with iron, zinc, magnesium, and phosphorus in appreciable amounts. Fats in canned salmon are predominately unsaturated, and recent tests have show that they slow the development of artery disease.

Please advise me of any reason why AMS cannot recommend and oversee a major buy by USDA of Alaska's canned pink salmon inventory from 1995 production.

Sincerely,

OCEAN BEAUTY SEAFOODS, INC.



Jim Yonker
Director, Corporate Quality Assurance
and Government Relations

cc: Honorable Dan Glickman, Secretary, USDA
Honorable Ted Stevens
Honorable Frank Murkowski
Honorable Slade Gorton
Honorable Patty Murray
Honorable Jim McDermott
Honorable Norm Dicks
Honorable Linda Smith
Honorable Rick White
Honorable John Breaux
Honorable Larry Craig
Honorable Helen Chenoweth
Honorable Michael Crapo
Mr. John Cady, President & CEO, NFPA
Mr. Lee Weddig, Executive Vice Pres., NFI
Mr. Art Schennemann, ASMI





UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
NATIONAL MARINE FISHERIES SERVICE
1335 East West Highway
Silver Spring, MD 20910
THE DIRECTOR

FEB 23 1996

Mr. Lon S. Hatamiya
Administrator, Agricultural Marketing Service
U.S. Department of Agriculture
14th and Independence Avenue, S.W.
Washington, D.C. 20250

Dear Mr. Hatamiya:

The Pacific northwest and Alaska salmon industry is seeking an emergency purchase of canned pink salmon to alleviate what has become a huge surplus situation. The National Marine Fisheries Service (NMFS) supports this request and recommends that a program to purchase product processed in 1995 be initiated as soon as possible.

The U.S. pink salmon industry is facing a serious problem caused by record harvests in 1995. More than 128 million fish were landed resulting in a record pack of nearly 4.0 million cases (48-tall basis). U.S. cold storage inventories of frozen pink salmon as of December 31, 1995, were reported to be 588 percent higher than a year earlier. Had NMFS known the magnitude of the salmon returns and the salmon pack early in the summer of 1995, we would have recommended that the U.S. Department of Agriculture (USDA) initiate a surplus removal program for canned pink salmon. Unfortunately, neither we, nor anyone in the salmon industry or in the Alaska Department of Fish and Game (the source of the estimates of returns), foresaw the magnitude of the pink salmon runs.

Unless some relief comes this year, several companies that have existing high inventories will not open their canneries next season; in fact, some have already announced severe cutbacks in their operations and canceled plant openings. The canned salmon industry is the largest private employer in the State of Alaska with over more than 39,000 employees. Another 35,000 people are employed in Washington in canneries and industry-related jobs. The existing surplus and plant closures or cutbacks will result in serious problems for the fishermen as well as the cannery workers, and ultimately the entire salmon industry in the Pacific Northwest and Alaska.

USDA has traditionally required that canned salmon be processed under NMFS Type I - Continuous Inspection; though neither the commercial marketplace nor the U.S. Food and Drug Administration (FDA) makes this requirement. The canned salmon industry does not normally contract NMFS inspectors to oversee the processing operation unless

THE ASSISTANT ADMINISTRATOR
FOR FISHERIES



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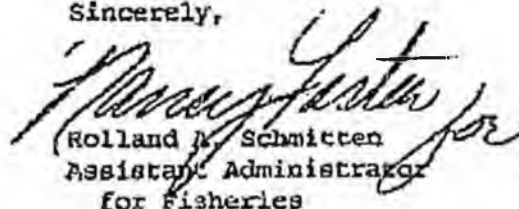
there is an indication that there will be a USDA purchase program. In 1995, a letter was sent by USDA to the salmon industry indicating that, based on the harvest level forecasts at the time, a purchase was not warranted, therefore the bulk of the industry did not assume the additional cost of NMFS inspection. When the size of the runs became apparent, it was too late to bring inspectors to the plants. As a result only a small quantity of salmon was processed under Type I inspection. This was held by only one company and was deemed to be too small to warrant a USDA program.

The canned salmon industry operates under Federal and State of Alaska regulations as well as the guidelines of the "Canned Salmon Control Plan and Container Integrity Program" which were developed in conjunction with the National Food Processors Association and FDA. U.S. canned salmon products are traded internationally with the assurances of these programs and in some cases, lot inspections. The industry is prepared to have the NMFS Inspection Services Division conduct lot inspections of product processed in 1995 to certify that the product meets those technical requirements of the Commercial Item Description for canned salmon, that can be verified by end item evaluation. We believe these assurances should be deemed adequate for USDA purchases for its various programs.

We request that the surplus removal programs managed by the Agricultural Marketing Service include purchases of canned pink salmon packed during the 1995 season. It is imperative that a decision be made and conveyed to the industry as soon as possible. This is of critical importance to both the fishermen and processors because operating plans and commitments to purchase cans and packaging material must be made in March of this year to be manufactured and shipped north to be in place for use during the 1996 Alaska salmon fishing season between June and September.

We are ready to offer whatever assistance your offices require to consider steps to reduce this serious surplus of canned pink salmon. We would welcome the opportunity to discuss implementation of an emergency purchase program with you at your earliest convenience.

Sincerely,


Rolland A. Schmitten
Assistant Administrator
for Fisheries

Feb. 27, 1996

11:43AM OCEAN BEAUTY SEAFOODS 2062815897

PO02/DNo. 1039 P. 2/4

ALASKA

COMMITTEES:

CHAIRMAN

ENERGY AND NATURAL RESOURCES

FINANCE
VETERANS' AFFAIRS
INDIAN AFFAIRS

United States Senate

WASHINGTON, DC 20510-0202

(202) 224-6665

February 26, 1996

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101 12th Avenue, Box 7
Fairbanks, AK 99701-6278
(907) 456-0232

P.O. Box 21647
Juneau, AK 99802-1647
(907) 584-7484

128 Trading Bay Road, Suite 310
Kenai, AK 99511-7716
(907) 263-8400

100 Main Street
Ketchikan, AK 99901-6425
(907) 225-8200

The Honorable Daniel R. Glickman
Secretary of Agriculture
14th Street and Independence Avenue, S.W.
Room 200-A
Washington, D.C. 20250

Dear Secretary Glickman:

I am writing to urge your immediate approval of a much-needed surplus commodity purchase of canned pink salmon through the Agricultural Marketing Service. I cannot overemphasize how critical this matter has become for the Alaska salmon industry since the first request for a purchase was made to the Department last year. I am attaching for your information a letter from a major Alaska fishing organization which is characteristic of those I have received.

As you may recall, several members of the Senate wrote on this subject last year. We are still waiting for the agency to act.

Last year's harvest of over 117 million pink salmon was much larger than had been predicted. In all, the equivalent of four million cases of 48 1-lb. cans was packed. Despite very low prices, there is a significant inventory carryover, projected to remain as high as 1.7 million cases by this coming July, well into the 1996 harvest/packing season. This has very seriously affected prospects for the coming year.

Shock waves have already started to ripple through the industry. Several companies have closed their doors or filed for bankruptcy protection, including Whitney Foods, Inlet Salmon, and Pelican Seafoods. Others, according to rumors within the industry, are likely to follow suit. Still others have already informed fishermen that they will not purchase pink salmon this year, or have let it be known that prices will be \$00.05 per pound or lower.

The Alaska seafood industry is Alaska's largest private employer, and a key component of our economic base. Make no mistake, Mr. Secretary, the current situation is a disaster in every sense of the word. Worse, the most extreme effects will be felt in the smallest and most remote of our communities, where the fishing industry is often the ONLY source of earned income for the predominately Native American residents.

The Honorable Daniel Glickman
Page 2

February 26, 1996

Alaska has the largest and healthiest salmon population in the world. Unfortunately, the world market has been glutted with salmon both from our large harvest of wild salmon, and from uncontrolled growth in the pen-reared salmon industry, which is heavily subsidized by some foreign governments.

Alaska's canned pink salmon products are an excellent source of high-quality protein, contain nearly all the essential amino acids, vitamins A and D, niacin and riboflavin from the B complex group with iron, zinc, magnesium, and phosphorus in appreciate amounts. Fats in canned salmon are predominately unsaturated, and recent tests have shown that they slow the development of arterial disease. Further, according to the National Food Processors Association, the acceptable shelf life for canned salmon is 72 months. This exceeds the USDA guidelines on shelf life for canned meat which is nine months and includes an additional 12-14 months to cycle these products through various USDA channels of distribution.

I understand that USDA normally requires the salmon products it purchases to have been packed under the Department of Commerce, National Marine Fisheries Service (NMFS) "Type 1" inspection program, for which costs are borne by the individual processor. However, at the time of last year's harvest, neither NMFS nor the State of Alaska, nor the industry, were able to predict the strength of the 1995 pink salmon run, and because no USDA purchase was planned, most processors decided against the additional expense. By the time the size of the run became clear, it was too late to bring NMFS inspectors to the salmon canneries.

A waiver of the Type 1 requirement is clearly needed. Let me assure you, however, that all the fish packed in Alaska is subject to rigid safety standards, and under state-of-the-art Hazard Analysis/Critical Control Point (HACCP) processes developed by the Alaska Department of Environmental Conservation. Furthermore, all canned salmon is also subject to the guidelines of the Canned Salmon Control Plan and Integrity Program, developed in cooperation by the industry and the Food and Drug Administration. Together, these programs easily equal the safety standards of the Type 1 plan. Any further requirements of USDA product specifications can easily be accommodated and appropriate assurance provided to USDA through lot inspections, as has been done in the past.

In fact, I believe you may already have heard from the National Marine Fisheries Service that the existing combination of programs provides more than adequate assurance of safety, and suggesting the lot inspection alternative. I believe also that the Service has communicated that, had it known last summer that the 1995 pack was going to be of such magnitude, it would have strongly recommended that USDA initiate a major purchase at that time.

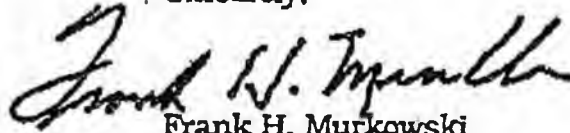
The Honorable Daniel Glickman
Page 3

February 26, 1996

Again, I strongly urge you to announce immediately your intention to purchase the remaining carryover of 1995 canned Alaska pink salmon. This purchase is critical to avoiding serious and widespread economic disruption as we enter the 1996 harvest season, which is now just a few months away.

Thank you for your consideration. In your response, please refer to file No. 94841.

Sincerely,



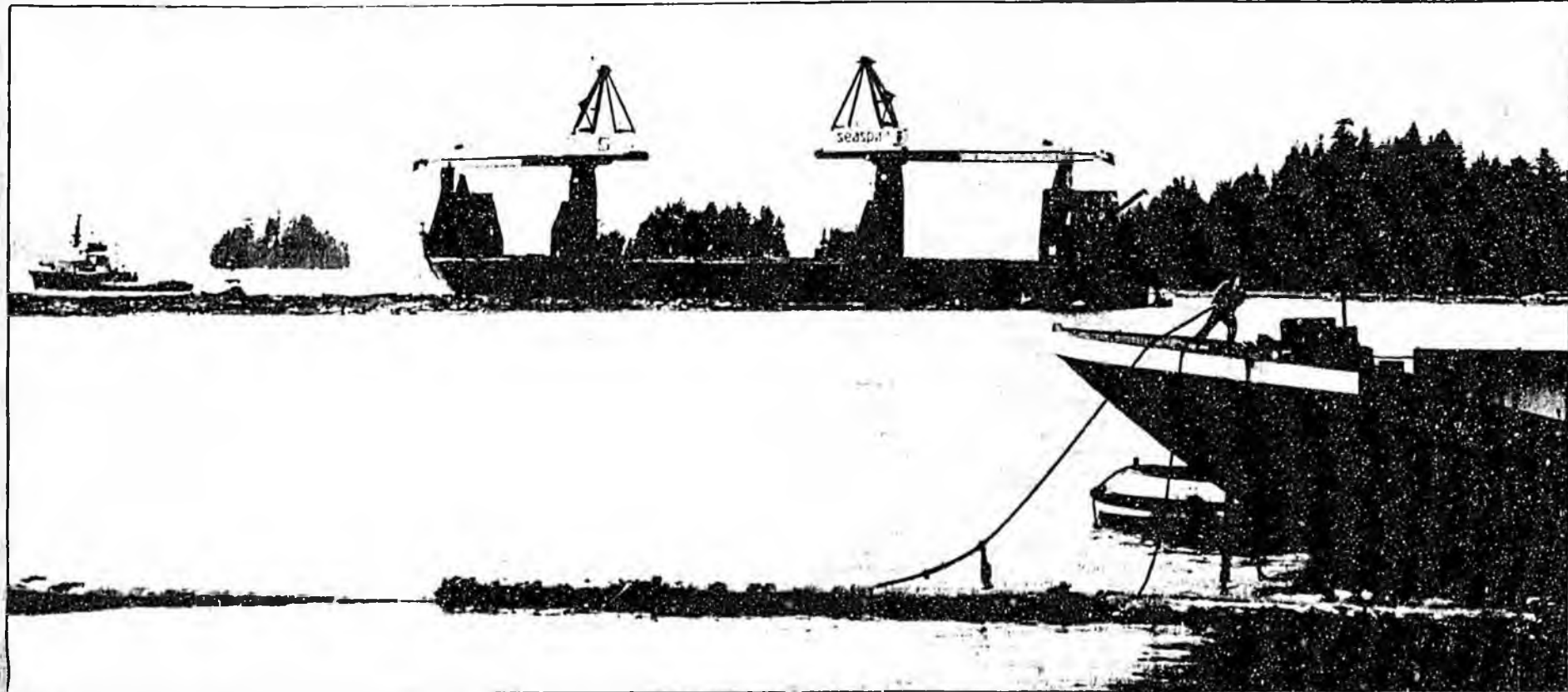
Frank H. Murkowski
United States Senator

Enclosure

HJR

64

Timber slowdown takes toll on economy



The Seaspan unloads Canadian logs in Wurd Cove last October while a deckhand on the Sharon H ties up to the barge Thlingit in the cove.

Staff photo by Hall Anderson

Ketchikan business owners see drop in trade and services

By NIKKI MURRAY JONES
Daily News Staff Writer

The slowdown of the timber industry in Southeast Alaska has taken its toll on Ketchikan, and the public needs to know that, say local business people.

"Not enough is being said about how the problems of the timber industry are affecting local businesses," said Robert Cowan, owner of Cowan Towing and Salvage.

The past five years have seen a down-

turn in the timber industry. Timber officials for Ketchikan Pulp Co. and independent operators have complained that the Forest Service isn't releasing enough wood to support the industry. Critics say the problem isn't supply, but market prices.

Cowan's company has operated for 40 years, and Cowan has been in the family business for 28. Much of the work consists of towing logs rafts. With business at 25 to 30 percent of what it was in former years, Cowan has idled two of his three tugs. He has

'Not enough is being said about how the problems of the timber industry are affecting local businesses.'

— Robert Cowan



had to lay off workers. He's spending less locally than his usual \$200,000 for business expenses and he's curtailed family spend-

ing, he said. He's considered relocating his company but that's not a solution because other companies are looking to Ketchikan for work, he said.

He blames environmental influence and lawsuits for the timber industry slowdown. Their representatives have time to lobby for their agenda, "while those affected are out working," he said.

"If environmental groups were liable for the damages they cause, there wouldn't be so many lawsuits," Cowan said.

Southeast Stevedoring noticed a drop in work beginning in the 1980s when the Haines Sawmill and the Klawock Sawmill closed. Timber supply was the problem for both, said Bob Berto, vice president of Southeast

'If KPC closed down, the community would be hard pressed to survive.'

— Allan Coffin



Stevedoring.

The Alaska Pulp Corp. closure in Sitka in 1993 meant \$700,000 in lost payroll for
See 'Taking its toll,' page A-4

Continued from page A-1

'It used to be a person could make a decent monthly wage. Now, the wood just isn't there. There's no work now in Sitka and Wrangell.'

— Jay Brown, longshoreman



understood the implications of shutdowns," Kelly said.

If people in Sitka and Wrangell had understood how the shutdowns would affect them, "who knows what they would have done," he said.

Seley downsizes

Seley Corp., that operates Seaborne Lumber, is trying to market finished lumber, but can't do it without a timber supply, said Steve Seley, in a February letter to Sen. Ted Stevens, R-Alaska. The Forest Service has been hampered in its efforts to supply timber for various reasons: pipeline isn't working; excessive administrative appeals of timber sales; the threat of appeal; deficit sales; severe pressure from the administration and national environmental groups; and the long wait for the Tongass Land Management Plan.

His response is to downsize, and possibly close permanently, he wrote.

'If the pulp mill were to close, you would see one-third of our labor force being out of a job in Ketchikan.'

— Ben Williams, A&P president

Seley wasn't available for comment by press time.

Alaska & Proud has grocery stores in Ketchikan, Klawock and Thorne Bay, as well as other Southeast locations.

40 percent drop

Its Thorne Bay store has seen a 40 percent drop in volume because of the timber industry slowdown, said Ben Williams, A&P president.

"If people aren't working, they aren't buying groceries," he said. The staff has dropped by four through attrition.

"The slowdown has had a real adverse effect on the community," Williams said.

Staff at the Klawock store is down from 45 to 39 and more customers are using public assistance to buy food, said Williams.

"If people aren't working in resource-based industries, whether they're loggers or road builders or truck drivers, it has a direct affect on the whole community. I think this year's going to be the worst in the five years we've been involved," Williams said.

The impact is less on Ketchikan but that could change.

"If the pulp mill were to close, you would see one-third of our labor force being out of a job in Ketchikan," Williams said. "Some would find work but there's only so many food service jobs."

Diversify

It's fortunate Ketchikan isn't 100 percent timber-dependent. Ketchikan's diversity needs to be expanded such as to secondary wood manufacturing, he said. The community should diversify in all sectors: tourism, fishing, service and manufacturing.

"What happens if we lose the forest products industry and have a bad fishing year?" Williams said. "We can have a bad year or two in fishing as long as other industries are strong. Or, what if tourists were to quit traveling for some reason and we had a bad year in fishing? We need all our industries to be healthy."

Tatsuda's shipping department has been affected by the slowdown in the timber industry, said Bill Tatsuda, president and owner of Tatsuda's Supermarket. The company also has Tatsuda IGA, Ward Cove Market, JR's and Gas at Last.

Shipping to logging camps has been a lot slower, Tatsuda said. He's also noticed a slowdown in supplying restaurants in Ketchikan and at Ward Cove Market.

Giving the timber industry a wood supply would improve the local economy, he said.

"If the timber industry were to shut down...then our business would be affected in direct proportion," he said.

Talk it out

Pete Amundson thinks the wood supply problem could be solved if people of different interests would get together and talk, he said.

Amundson, who owns A K Tug and Barge Service, operates one tug and two barges. He makes deliveries to Southeast communities and does much work for independent timber operators.

"This was the first time in five years we didn't work all winter," Amundson said. Also, business didn't pick up as fast as usual after the regular July shutdown for maintenance, when logging slows, too.

He said the Forest Service pipeline isn't working for independent timber operators.

"There should be another pipeline," he said. "We shouldn't have to compete for timber."

Ketchikan's economy is a three-legged stool, said John Clifton who is a vice president for First Bank in Ketchikan. However, he was speaking as a Chamber of Commerce representative.

Three legs

Two of those three legs are government employment and timber. The third is tourism, fishing and all other businesses, he said.

Tourism is seasonal as is fishing. Government and timber provide year-round employment, he said.

Attitudes have changed since the 1950s when the pulp mill opened. At that time, the community wanted a year-round industry and the federal government was in a position to encourage that, he said.

Clifton said the community could survive without the pulp mill, but the impact of losing year-round jobs would be substantial. If the stool loses a leg it falls over, he said.

KPC has made a major commitment to improving its work in Ketchikan. It's planning to spend more than \$100 million on improvements to the mill. It's already doing a much better job preventing pollution than it did before, he said.

Better than expected

Sitka is doing better than expected, but it has several industries, such as education and health care, that are supporting the economy, he said.

Cowan says he is worried.

"Right now, Ketchikan's in an artificial economy," Cowan said. With other companies here, it gives the appearance of busyness. "But a lot of companies are on the edge."

The majority of business people who are pro-timber aren't being heard, he said.

"They need to scream louder or carry a bigger stick," Cowan said. "We have to do something in '96. This year is a turning point."

Frank F. Mesdaq, D.P.M.

PODIATRY

Foot & Ankle Clinic
Will Be In Ketchikan
Sunday, March 31, 1996

At the

State Farm Building, 3137 Tongass
Appointments may be
made by calling
907-789-0405 Days.
On March 31, call 247-4000

KETCHIKAN GATI

COMPREHEI

PUBLIC I

The Ketchikan Gateway Commission will hold a Tuesday, April 2nd, 1995 at the City of Ketchikan discuss the draft compre

This is the sixteenth put comprehensive plan. T

Taking its toll

25 full and part-time longshoring jobs. The Wrangell Sawmill closure in late 1994 cut 45 full and part-time jobs. The KPC current sawmill closure and Seley's mill shutdown represent a loss of \$500,000 in revenue to Southeast Stevedoring, said Berto. If KPC were to shut down that would mean the further loss of 40 to 50 jobs for longshoremen in Ketchikan and Metlakada. The company hires longshoremen as ship agents.

Far reaching impact

The loss of the mill would have far-reaching economic impact, said Berto. Southeast Stevedoring regularly pays 75 businesses for supplies and services as ship agents. Beyond that, it buys services from probably hundreds of businesses, said Berto. "Most people don't realize the domino effect," said Cliff Taro, Southeast Stevedoring president. Jobs lost to longshoring are in addition to 2,400 lost directly in the timber industry, as well as those that provide support

'Most people don't realize the domino effect.'

— Cliff Taro, Southeast Stevedoring president

services, he said.

The answer lies in making more timber available, he said. Taro recently talked to elected officials in Washington, D.C., in support of a 15-year contract extension for KPC.

Jay Brown, treasurer and dispatcher for the International Longshoremen and Warehousemen's Union, No. 62, in Ketchikan confirmed Southeast Stevedoring's figures of lost jobs.

"It used to be a person could make a decent monthly wage," Brown said. "Now, the wood just isn't there."

Longshoremen throughout Southeast load and unload cargo and handle lines for cruise ships.

"There's no work now in Sitka and Wrangell," he said.

The slowdown regionally has been going on for at least two years, but the amount of work has dropped since 1989-90, he said. The decrease in timber business accounts for most of the lost work.

Cruise ship work seasonal

In Ketchikan, the union employs up to 25 full and part-time longshoremen. He expects 20 of the usual 35 timber-related ships in Ketchikan this year. Workers are busy in summer with the cruise ship traffic, but that's seasonal, said Brown.

The union sent a formal resolution to Congress in support of the 15-year contract extension for KPC, said Brown.

"If the mill shuts down, we wouldn't do anything but handle cruise ship lines," Brown said.

South Coast Inc. has seen its road work drop from 30 percent of its load five years ago to 7 percent now, said Alan Coffin, president. Most of the work has been on Prince of Wales Island. The company also hauls logs by barge.

"The way things are going so far this year, we'll probably have \$5 million to \$6 million less in gross revenue in work related to the timber industry," Coffin said. "If things were to make a big turnaround, the most optimistic projec-

tion would still be \$3 million less in revenue."

Less timber and late releases require year-to-year rather than long-range planning, he said. Injunctions brought by the environmental community delay sales and road work.

"It takes the Forest Service time to get everything ready, so if they're delayed, it takes longer," Coffin said. "The Forest Service tries to do the best they can, but their hands are tied."

South Coast, which employs 300 people, works in other parts of Alaska, but that's not as desirable as Southeast, he said.

Tort reform needed

The key to improving conditions for the timber industry is tort reform that would stop frivolous lawsuits, he said.

Extending KPC's contract for 15 years would help keep Ketchikan's year-round economy. The company's willingness to put money into its plant shows its dedication to the community, he said.

"If KPC closed down, the community would be hard pressed to survive. If the timber industry were to leave, Ketchikan might not be our base," Coffin said. "Lots of other companies are in the same situation. People here tend to be apathetic. They think it won't really happen to them. I think people would be really surprised at the ripple effect it would have in the community if KPC were to shut down. In my opinion, it would devastate the community. We would have a smaller, quieter community, which some people want."

All interests could work together, he said.

"I don't think it's as bad as the extreme environmentalists say," Coffin said.

He said he's an environmentalist and an outdoorsman and doesn't want to see the outdoors destroyed.

Public perception complicates the problem, he said.

"Things like road building and logging are done so much differently than they were 15 to 20 years ago. I don't think the general public is always apprised of that fact, he said. "They think things are being done the way they were and they're not."

Transportation slows

Alaska Marine Lines, a transportation service, does business with logging customers throughout the region, said Dan Kelly, port manager.

"Timber is a major contributor to the economy. As the economy goes, so does our business," Kelly said. "If business slows, we have to let people go."

The company, with 25 employees, felt the effects of the shutdowns.

It's difficult to put a dollar figure to the impact, "but obviously transportation is tied to the economy," Kelly said. "If people don't have jobs, they're buying less products and less products are being shipped."

If the timber industry, a major Southeast employer, were to shut down, it could reduce AML's regional service.

Kelly said the 15-year contract extension would help the timber industry but isn't sure it's the only answer.

"It's hard to put a finger on the true reasoning for the environmental and industry sides," Kelly said. "It's hard for a business to say, 'This is what you guys should do to fix things.'"

A key issue is public understanding. "It would help if a lot of people better

KETCHIKAN GATEWAY BOROUGH

RESOLUTION NO. 1267

A RESOLUTION OF THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, SUPPORTING THE EXTENSION OF THE UNITED STATES FOREST SERVICE TIMBER SALE CONTRACT WITH THE KETCHIKAN PULP COMPANY; AND ESTABLISHING AN EFFECTIVE DATE.

RECITALS

A. For the last 40 years, the timber industry operating on national forest land in Southeast Alaska has been the largest private employer in Southeast Alaska.

B. The United States Forest Service strategy for creating permanent year-round employment through a timber industry in Southeast Alaska has been to offer long-term contracts to attract pulp mills to use, and add value to, low-grade and by-product materials from timber harvesting; these pulp mills serve as a market for pulp logs and chips from the sawmills in Southeast Alaska.

C. Pulp mills assure full utilization and protect forest health by using that significant portion of the Tongass National Forest that consists of dead, dying and over-mature timber.

D. Since passage of the Tongass Timber Reform Act of 1990 (TTRA), a pulp mill and a major sawmill have closed, and more than 40 percent of the timber industry has been lost, all of which has created severe social and economic harm to the timber industry, its workers, and timber-dependent communities in Southeast Alaska.

E. Ketchikan Pulp Company (KPC), which obtained a long-term contract to help create jobs in Southeast Alaska, is the sole remaining pulp mill in Alaska, a major employer in Southeast Alaska, and the market for pulp logs and chips from all the other sawmills in Southeast Alaska.

F. The loss of the KPC pulp mill would cause the loss of the entire industry now operating on the Tongass National Forest with devastating social and economic effects on families and communities throughout Southeast Alaska.

G. As a matter of economic common sense, KPC cannot make all the necessary expenditures without the federal government extending its contract for a sufficient period to amortize those expenditures.

H. The legislature finds that an additional 15 years is a minimum reasonable period to extend the KPC's timber sale contract to allow such amortization.

NOW, THEREFORE, IN CONSIDERATION OF THE ABOVE FACTS, IT IS RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, as follows:

②

RESOLUTION NO. 1267

Section 1. The Borough Assembly, in conjunction with the Alaska State Legislature, respectfully urges the Alaska delegation in Congress and Governor Knowles to take all steps necessary, this year, to extend the Ketchikan Pulp Company long-term contract for an additional 15 years because such an extension is critical to the environmental, social, and economic well-being of the Tongass National Forest timber workers, their families, and the timber-dependent communities in Southeast Alaska and because such an extension is in the public interest of the State of Alaska.

Section 2. The Borough Clerk is instructed to send a copy of this resolution to the Honorable Bill Clinton, President of the United States; the Honorable Daniel R. Glickman, Secretary of the U.S. Department of Agriculture; the Honorable Bruce Babbitt, Secretary of the U.S. Department of the Interior; the Honorable Newt Gingrich, Speaker of the U.S. House of Representatives; the Honorable Strom Thurmond, President Pro Tempore of the U.S. Senate; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U. S. Representative, members of the Alaska delegation in Congress.

Section 3. This resolution is effective upon adoption.

ADOPTED this 1ST day of APRIL, 1996.

Jim Carlton
BOROUGH MAYOR

ATTEST:

S. Zimmierle
BOROUGH CLERK

Approved as to form:

Scott ...
BOROUGH ATTORNEY

EFFECTIVE DATE: <u>4-1-96</u>			
ROLL CALL	YES	NO	ABSENT
CHIENHALL	✓		
CONLEY			✓
COYNE	✓		
ELKINS	✓		
MITCHEL			✓
TIPTON	✓		
YETKA	✓		
MAYOR (The Vote Only)			N/A
4 AFFIRMATIVE VOTES REQUIRED FOR PASSAGE			

2

KETCHIKAN GATEWAY BOROUGH

RESOLUTION NO. 1263

A RESOLUTION OF THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, SUPPORTING THE CONCEPTS CONTAINED IN H.R. 2413 TO TRANSFER THE TONGASS NATIONAL FOREST TO THE STATE OF ALASKA: AND ESTABLISHING AN EFFECTIVE DATE.

RECITALS

A. Alaska Congressman Don Young has introduced H.R. 2413 to transfer the Tongass National Forest to the State of Alaska and may be cited as the "Tongass Transfer and Transition Act." The bill has been referred to the Committee on Resources and the Committee on Agriculture.

B. Under this bill, Alaska's legislature and the Governor can elect to receive the entire Tongass National Forest. When they do, a one year transition to state control of the Tongass begins. At the end of the transition period, Alaska would receive a deed to the forest and then begin to manage it under Alaskan laws.

C. "Transferring ownership of the Tongass from the federal government to state government is an appealing idea for most Southeasterners. Across the region 55% favor transferring ownership while 34% oppose the transfer. One in ten (11%) are unsure, probably reflecting uncertainty about how management priorities would change. In all areas of the region, supporters of the transfer outnumber those in opposition. * * * Wrangell and Ketchikan lead the supporters with 76% and 65% in favor respectively."¹

D. It is a common belief that we have reached a point where the conflicts over management of the Tongass have intensified so much that federal solutions based on federal policies made by federal political appointees do not work in the Tongass. It is time for decision-making to be returned to Alaskans.

E. Alaskans realize that their State legislature is closer to the economic and ecologic needs in the Tongass. It has a much better understanding of policies that will bring peace to the Tongass than does the U.S. Congress and the Federal Forest Service.

F. Alaskans agree with the Governor's Commissioner Willie Hensley speaking at Senator Murkowski's workshop on the Senate bill: "The hallmarks which guide our (state) policies in connection with the Tongass include . . . maximum self determination for the people of Southeast Alaska with respect to land management decisions which effect them, and a minimum of legislative prescriptions from Washington D.C."

G. Alaskans have greater contact with the decision-makers at the state and local level. These decision-makers are their friends and neighbors who share in understanding the resources and the intricacies of the management of those resources. Alaskans have always wanted to control their own lives. They don't want "big brother" doing it for them.

¹Southeast Public Opinion Survey, September 1995 by McDowell Group, Inc.

RESOLUTION NO. 1263

and Alaskans have proven their ability to manage Alaska's fisheries resource when the federal government miserably failed.

NOW, THEREFORE, IT IS RESOLVED BY THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, as follows:

Section 1. The Ketchikan Gateway Borough Assembly supports the concepts contained in H.R. 2413, "Tongass Transfer and Transition Act," as stated by Congressman Young in the House of Representatives, Thursday, September 28, 1995: "To be clear, we aim to get the Federal Government out of our business in the Tongass, to give decisions to Alaskans, and to accomplish this with a minimum of Federal strings attached."

Section 2. The Borough Clerk is directed to send copies of this resolution to Congressman Don Young, U.S. Senator Frank Murkowski, U.S. Senator Ted Stevens, Alaska's Governor Tony Knowles; Senate President Drue Pearce, Speaker of the House Gail Phillips, Senator Robin Taylor, and Representative Bill Williams.

Section 3. This resolution is effective upon adoption.

ADOPTED this 18th day of March, 1996.

Jim Carlton
BOROUGH MAYOR

ATTEST:

H. Guernerle
BOROUGH CLERK

Approved as to form:

Scott A. Kelly
BOROUGH ATTORNEY

EFFECTIVE DATE: <u>3-18-96</u>			
ROLL CALL	YES	NO	ABSENT
CHENIALL			✓
CONLEY	✓		
COYNE	✓		
ELKINS	✓		
MITCHEL		✓	
TIPTON	✓		
YETKA	✓		
MAYOR (Tie Vote Only)			N/A
4 AFFIRMATIVE VOTES REQUIRED FOR PASSAGE			

(4)

**KETCHIKAN
GATEWAY
BOROUGH**

OFFICE OF THE MAYOR
Jim Carlton
344 Front Street
Ketchikan, AK 99901-6494
Phone 228-6605 Fax 247-8439

March 14, 1996

The Honorable Tony Knowles
Governor, State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

"KEEP ON KEEPING IN STEP WITH THE C.O."

Alaskans take pride in recognizing you as a governor who enjoys splendid and personal rapport with the President of the United States. Thus you are in an excellent position to help the timber dependent communities of Southeast Alaska. The communities of Southeast Alaska urgently need your leadership in Washington D.C. and your continued membership on the team.

Your efforts to find common ground among Alaskans regarding the timber issues facing this state are appreciated. We recognize that you are concerned about the workers and timber dependent communities of Southeast Alaska and for that we say thanks. You also realize that the harvest of timber from the Tongass National Forest is not an environmental, conservation or science issue. It is an issue of personal philosophy and politics.

Of the 17 million acres in the Tongass National Forest, only 1.7 million acres is available for timber harvest. 3.8 million acres is not available for harvest because of wilderness designations and other legislated or multiple use considerations. Therefore, the forest available for harvest is only 10% of the Tongass and 1% of the forested land in the State of Alaska. There are no adverse environmental consequences to managing this relatively small part of the Tongass for a sustainable timber program that supports the economy, people, and communities of Southeast Alaska.

The Ketchikan Gateway Borough recently sold \$7.5 million of general obligation bonds bringing the Borough's current outstanding bonded indebtedness to \$16.5 million. In the Official Statement submitted in connection with the sale of those bonds, you will note in the attached information that Ketchikan Pulp Company is not only the number one principal taxpayer in the Ketchikan Gateway Borough, but it is also the largest private employer in

*Mayor/Personal Address: 1043 Woodland, Ketchikan, AK 99901
Telephone 225-1261*

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The Honorable Tony Knowles
March 14, 1996

Page 2


the Borough. KPC employs about 7.4% of the Borough labor force. Add to that the taxes paid and employees hired by Cape Fox Corporation, Sealaska Timber Corporation, Seaborne Lumber Company, Rayonier International Forest Products, several independent operators, and the indirect service businesses and you will see why the timber industry is so important to the community of Ketchikan.

As the elected officials of Ketchikan, we are gravely concerned that the Ketchikan Pulp Company is at a cross-roads not of its own making. KPC must invest over \$150 million in its Ward Cove pulp mill in the next five years to stay in front of the next wave of environmental regulations. In order to make these investments, it is imperative to have the Forest Service meet the terms of the existing contract. Second, KPC needs relief from provisions in its contract that were unilaterally applied by the government in 1990. Third, KPC needs a minimum of a fifteen year extension of a revised contract. The owners of KPC have made it clear these three things must be taken in the next 8-14 months or the money will not be invested. Without these investments, Ketchikan faces the closure of yet another mill in Southeast Alaska, and the devastating loss of family incomes and a significant part of the Borough's tax base.

Please lend your considerable influence and join with Alaska's Congressional Delegation by:

- > Supporting amendments sponsored by Senator Stevens to resolve the AWARTA lawsuit and protect the compromise timber base established by the Tongass Timber Reform Act of 1990; and
- > Supporting a fifteen year extension of a revised Ketchikan Pulp Company contract.

Together with your valued leadership we can move forward in securing economic and social health for Ketchikan and surrounding timber dependent Southeast communities.


Jim Cariton
Mayor

Mayor/Personal Address: 1043 Woodland, Ketchikan, AK 99901
Telephone 225-4261

(6)

HISTORICAL ASSESSED VALUATION AND TAX COLLECTION RECORD

Fiscal Year	Assessed Valuation	Percentage Increase (Decrease) from Previous Year	City Tax Rate (Mills)	Total Tax Levy	Taxes Collected (Year of Levy)		Total Annual Tax Collections	
					Amount	Percentage	Amount	Percentage
1985	638,157,850	11.24%	3.10	1,984,597	1,969,314	99.2%	1,988,564	100.2%
1986	660,988,333	3.58	2.55	1,690,886	1,681,476	99.4	1,688,262	99.8
1987	652,773,750	(1.24)	3.00	1,958,321	1,947,614	99.5	1,954,850	99.8
1988	644,691,600	(1.24)	5.70	3,866,473	3,717,544	96.1	3,806,846	98.5
1989	672,170,100	4.26	6.00	4,491,458	4,420,026	98.4	4,426,238	98.5
1990	725,682,700	7.96	6.00	4,540,956	4,426,772	97.5	4,474,231	98.5
1991	744,344,400	6.71	6.00	4,413,036	4,304,335	97.5	4,431,723	100.4
1992	809,385,700	4.53	6.60	5,105,663	4,696,759	92.0	4,845,695	94.9
1993	837,013,950	3.41	8.30	6,573,889	6,447,090	98.1	6,561,018	99.8
1994	819,894,650	(2.05)	8.30	6,832,029	6,406,661	93.8	6,442,842	94.3
1995	849,837,900	3.65	8.20	7,053,655	N/A	N/A	6,991,538	99.1
1996	915,900,800	7.77	7.50	6,869,256	----- In Process -----			

Note: Low collection rates reflect decreases in state appropriations for reimbursement of property tax levies on exempt properties for senior citizens and veterans.

**PRINCIPAL REAL PROPERTY TAXPAYERS
JANUARY 1, 1995**

TAXPAYER	BUSINESS TYPE	1995 ASSESSED VALUATION	PERCENTAGE OF TOTAL ASSESSED VALUATION
Ketchikan Pulp Company	>Forest Products	\$78,914,900	8.62%
The Hanes Group	Retail Stores	11,882,700	1.30
Cape Fox Corporation (Including Cape Fox Hotel Corp.)	>Forest Products, Hotel and Restaurant	9,748,200	1.06
E.C. Phillips & Son, Inc.	Seafood Processing	7,374,200	0.81
Kanaway Seafoods	Seafood Processing	6,145,000	0.67
Union Oil Company	Petroleum Products	5,783,600	0.63
Vanderwheele, James & Kenneth	Commercial and Industrial	5,354,100	0.58
Carr-Gottstein Foods Co.	Retail Stores	4,990,400	0.54
Ward's Cove Packing Co. Inc.	Seafood Processing	4,586,300	0.50
Main Street Associates, Ltd.	Retail/Commercial	4,337,500	0.47
TOTAL PRINCIPAL TAXPAYERS		\$139,116,900	15.19
TOTAL ASSESSED VALUATION		\$915,900,800	100.00%

Source: Borough records.

GENERAL AND ECONOMIC INFORMATION

The Borough is located on Revillagigedo Island in the southern portion of the southeast Alaska panhandle and is located approximately 680 miles northwest of Seattle and 200 miles south of Juneau, the state capital. Ketchikan Gateway Borough lies within the same latitudes as the British Isles and Scandinavia. The Borough encompasses an area of 1,242 square miles and is located on three islands: Revillagigedo Island, Pennock Island, and Gravina Island. The inside passage, a protected shipping channel which connects Southeast Alaska with the Pacific Northwest, bisects the Ketchikan Island Group.

By air, Juneau is a 50 minute flight, Anchorage 2 hours 10 minutes, and Seattle is 1 hour and 30 minutes. Ketchikan is served by a modern 7,500 foot jetport and runway, the Alaska Marine highway, a national airline barge and transport companies, and regional and local air carriers. The Ketchikan area is the service and supply hub for southern southeast Alaska; 25% of all business sales by Ketchikan firms are to other destinations in southeast Alaska.

Population of the Borough is shown below:

POPULATION				
	1970	1980	1990	1994
Borough	10,041	11,316	13,828	14,923
Source: U.S. Census Figures; Alaska State Department of Labor				

Major Industries

The Borough is situated at the southern end of the Tongass National Forest (the "Tongass"). At 16.9 million acres, the Tongass is by far the largest national forest and exceeds in size the area of 11 states. The Tongass is managed by the U.S. Forest Service and about 85 percent of the land in southeast Alaska — an area 500 miles long and 100 miles wide — is included within its borders.

Rainfall of up to 160 inches a year in the Ketchikan and Tongass areas have created dense forests of hemlock, spruce and cedar. Approximately 10 million acres of the Tongass are forest lands. Of this area, 4.1 million acres have been set aside as wilderness; another 2.5 million acres are currently classified as suitable for timber harvesting. Alaska Native Corporations own approximately 600,000 acres of land in Southeast Alaska, major portions of which are suitable for commercial harvest.

The largest private employer in the Borough is Ketchikan Pulp Company ("KPC"), a wholly owned subsidiary of Louisiana Pacific Corporation. KPC began operations in the Borough in the mid-1950s after receiving an initial 50 year contract for the harvesting of up to 3.25 billion board feet of timber. KPC employs about 625 people within the Borough or about 7.4% of the Borough labor force. See "Ketchikan Pulp Company."

Other mainstays of the Borough economy are tourism and salmon processing. As the first major Alaskan city along the inside passage, Ketchikan is popular port of call for the Alaska cruise ship industry and is second only to Juneau in the number of landings and visiting passengers. Tourist expenditures from the cruise ships and other visitors have been estimated to add between \$8 and \$11 million in retail sales to the economy. The Borough and nearby areas are home to 28 sports and fishing lodges and resorts that are served by Ketchikan businesses.

KETCHIKAN GATEWAY BOROUGH GROSS BUSINESS SALES			
Year	Sales Inside Borough	Sales Outside Borough (1)	Total Sales
1988	\$215,497,000	\$85,736,000	\$301,233,000
1989	249,901,000	112,462,000	362,363,000
1990	279,805,000	94,476,000	374,281,000
1991	290,358,000	107,490,000	397,848,000
1992	290,658,000	96,291,000	386,949,000
1993	325,615,000	100,514,000	426,129,000
1994	352,744,000	105,410,000	458,154,000

Source: Borough Tax Department, Economic Development Center, Ketchikan Campus
(1) Represents sales to businesses and individuals on Metlakatla and Prince of Wales Island.

The Timber Industry in Ketchikan and Southeast Alaska

The timber industry in Ketchikan Gateway Borough is concentrated in the activities of KPC. Most of the logs for the KPC pulp mill come from contractually designated areas within the Tongass National Forest ("Tongass"), the nation's largest (17 million acres) national forest. Due to the historically high rate of decay in the forests, nearly half the timber harvested from the Tongass has been used for pulp. Under present regulations, National Forest timber in Alaska cannot be exported without some form of processing "primary manufacturing."

Primary manufacturing is centered in two basic timber enterprises: lumber mills and pulp mills. High grade timber is taken to lumber mills and manufactured to minimum Federal and State specifications into lumber. Low grade timber, not usable as lumber, is taken to pulp mills where it is first chipped and then manufactured into dissolving pulp ultimately marketed as rayon. Timber contractors operating in public Forest Service land are required to clear and clean up those areas allotted to them for timber harvesting. The companies generally take all logs to a clearing area where they are sorted and then barged or rafted either to lumber mills or pulp mills.

With 17 million acres, the Tongass exceeds in size the area of 11 states. Approximately 10 million of these acres are forested. Excluding areas designated as wilderness or deemed incapable of producing timber, the Forest Service has identified 2.5 million acres of land as commercial forest land tentatively suitable for timber harvesting. Of this amount, approximately 406,000 acres have been harvested since significant timber operations began in the mid-1950s.

Through the 1971 Alaska Native Claims Settlement Act, some 600,000 acres of land that was previously a part of the Tongass were conveyed to 13 Native Corporations in Southeast Alaska. Timber harvests on these lands now account for more than half of the timber supply in all of Southeast Alaska. Timber harvests in millions of board feet from the Tongass and private (primarily Native Corporation) holdings for the years 1985 to 1994, were as follows:

SOUTHEAST ALASKA TIMBER HARVEST (MILLION BOARD FEET)			
FISCAL YEAR	TONGASS HARVEST	PRIVATE HARVEST	TOTAL
1985	232.0	285.4	517.4
1986	290.5	327.0	617.5
1987	336.2	404.0	740.2
1988	396.2	395.1	791.3
1989	444.6	531.9	976.5
1990	471.0	506.1	977.1
1991	364.2	454.6	818.8
1992	369.7	445.7	815.4
1993	325.0	410.4	735.4
1994	275.8	214.8	490.6

Source: United States Department of Agriculture, Forest Service.

In 1991, the two largest independent sawmill operations in southeast Alaska shut down their operations. The mills were located in Haines and Klawock, which are about 300 miles northwest and 60 miles west of Ketchikan, respectively. The Klawock sawmill was purchased in June 1994 by Viking Lumber. Production began again in December 1994 after extensive renovations and upgrading of computer equipment. 1995 throughput is estimated to be between 25 and 30 MMBF. The mill can process up to 70 MMBF annually.

In 1993, Alaska Pulp Company announced the suspension of operations at its Siku mill. The company cited adverse world market pulp conditions, increasing production costs, and a shortfall in the amount of timber available at an affordable price, as reasons for the suspension.

The Forest Service makes timber available to industry through two programs. The long-term contracts program has supplied timber to KPC under a fifty-year supply contract that was signed in 1954. The independent/Small Business Administration sales program supplies independent sawmill operations and has increased from 54 million board feet ("MMBF") in 1990 to 100 MMBF in 1994 with the shutdown of the larger mills.

Substantial portions of Southeast Alaska's forest products are exported to Japan and other Pacific rim countries. The combined value of Alaskan wood product exports was nearly \$510 million for the 1994 fiscal year. Japan remained Alaska's primary market for wood products, accounting for 67% of the total dollar value of fiscal year 1994 exports. Although recessionary forces linger, a recovering housing market and a strong Japanese yen have allowed only a slight drop in Japanese lumber imports. Approximately 95% of Alaska's lumber and cant exports were shipped to Japan, along with 17% of exported pulp and 72% of the exported logs.

INTERNATIONAL EXPORTS OF ALASKAN WOOD PRODUCTS CALENDAR YEARS 1990-1994						
		1990	1991	1992	1993	1994
Softwood Logs (1)	Volume	\$606.6	\$516.9	\$537.4	500.2	480.1
	Value	350.9	293.9	327.4	362.6	343.8
	Unit Value	578.0	569.0	609.3	725.0	716.0
Lumber and Cans (1)	Volume	225.5	180.7	120.8	145.2	122.7
	Value	85.3	74.8	50.3	74.4	67.7
	Unit Value	378.0	414.0	416.0	512.0	552.0
Woodchips (2)	Volume	18.2	878.0	19.5	41.3	69.1
	Value	1.4	7.3	1.5	4.3	8.2
	Unit Value	78.0	83.0	79.0	105.0	119.0
Woodpulp (2)	Volume	289.3	263.8	299.2	209.5	156.8
	Value	203.4	162.2	175.0	123.3	90.1
	Unit Value	703.0	615.0	585.0	588.0	575.0
	TOTAL VALUE	641.0	538.2	554.2	564.6	509.8

Source: "Timber Supply and Demand 1994," USDA Forest Service, Alaska Region

(1) Volume figures are millions of board feet and value figures are in millions of dollars. Unit Value represents dollars per thousand board feet.

(2) Volume figures are thousands of metric tons and value figures are in millions of dollars. Unit Value represents dollars per metric ton.

In 1980 and again in 1990, Congress enacted legislation to address environmental concerns related to the timber harvest in the Tongass. The Alaska National Interest Lands Conservation Act of 1980 designated 5.4 million acres of the Tongass as wilderness areas. It also gave recognition to maintaining an average annual supply of 450 MBF of timber to the industry, a level identified by Forest Service in their 1979 Tongass Land Management Plan. In 1990, the Tongass Timber Reform Act (the "1990 Act") directed the Forest Service to designate new areas of the Tongass as wilderness areas, modify certain provisions in the long-term contracts and protect animal habitats. The legislation also directed the Forest Service "to provide a supply of timber from the Tongass National Forest which (1) meets the annual market demand for timber from such forest and (2) meets the demand from such forest for each planning cycle."

The Forest Service manages the Tongass National Forest using the guidelines set in the 1979 Tongass Land Management Plan, as amended in 1985 and 1990, and is based on an annual sale quantity (ASQ) of 450 MMBF. In 1992, the Forest Service developed five alternate land management plans for use of the Tongass over the next 10 to 15 years. The ASQ's range from 273 to 472 million board feet. The Forest Service has selected a "preferred alternative" (based on providing multiple types of resource opportunities) with an ASQ of 418 MBF. The five plans are currently being studied for wildlife health and timber economics issues. Senator Ted Stevens (R-Alaska) has recently placed legislation on the 1995 Appropriations Bill to implement Alternative D. This alternative would allow for a substantial increase in the amount of timber available for processing over the next few years.

KPC has also felt the effect of shifting federal timber policy. The Forest Service amended KPC's long-term contract in February 1991 to conform with the 1990 Act. KPC has stressed that over the past few years the

Forest Service has made less timber available than is called for in the long-term contract. In December, 1993, KPC filed administrative claims with the Forest Service to recover damages and assert its rights under its long-term contract. (See "Ketchikan Pulp Company.")

Ketchikan Pulp Company

Ketchikan Pulp Company owns and operates a 200,000 short ton pulp mill and a sawmill (annual capacity of 60 MMBF) at a site six miles north of the business center of the Borough. KPC's properties are inside the Borough limits and their assessed value represents approximately 10% of the total assessed valuation of property in the Borough. KPC also owns and operates a 70 MMBF sawmill on Annette Island, about 30 miles south of Ketchikan.

KPC employs between 850 and 1100 people in all of its operations, with approximately 625 of those at locations within the Borough. The sawmill in Ketchikan was opened in 1989 at a cost of \$14.4 million and created about 100 additional jobs at KPC. In 1994, KPC employees represented approximately 7.4% of the Borough's labor force.

While KPC conducts extensive timber harvesting and sawmill operations, most of its activity is concentrated in the production of dissolving pulp. Dissolving pulp, also known as chemical cellulose, is the basic ingredient in the manufacture of rayon and certain types of cellulose. These, in turn, become the "building blocks" for a wide range of consumer and industrial products, including clothing, upholstery, carpeting, artificial kidneys, brake and radiator hoses for automobiles, and certain types of moldings for electronic equipment, certain diet foods and pharmaceutical and cosmetic products.

The market for dissolving pulp is international in scope, with producers across the world supplying manufacturing firms in almost every nation. Pulp exported from Alaska represents about 13 percent of the dissolving pulp imported by major consuming nations, including the United States. KPC is an important supplier in the market, with its Ketchikan pulp mill accounting for approximately half of these Alaskan pulp exports.

The price of dissolving pulp is cyclical, and is affected by events across the world. Since 1989, several factors have combined to depress prices to levels not seen since the mid-1980's. Recessions in North America, Japan and Europe have dampened demand for consumer and industrial products, the primary users of dissolving pulp. The Russian Federation, once a major purchaser of dissolving pulp, has withdrawn from the market because of a lack of hard currency. The average price of international pulp exports from Alaska has fallen from \$767 per metric ton in 1989 to \$575 in 1994. The lowest price per metric ton since 1981 was \$419 in 1986. During this downswing in the dissolving pulp industry cycle, however, employment levels in the wood products industry have remained stable.

The manufacturing process for dissolving pulp essentially requires that the mill operate at full capacity or shut down. Full processing capacity at KPC's pulp mill requires approximately 190 MMBF of pulpwood and chips annually. Over the past ten years, most of KPC's required wood has been supplied under long-term contracts program with the balance being supplied through independent contractors.

KPC's fifty-year timber contract with the U. S. Forest Service was awarded in 1951, and it designated primary and secondary contract areas on the northern half of Prince of Wales Island and the northwest corner of Revillagigedo Island that were to provide KPC with no less than 8.25 billion board feet of lumber over an initial term extending through June 20, 2004. KPC's initial contract area totaled approximately 880,000 acres

When Alaska Pulp Company closed its Sitka mill in 1993, the U. S. Forest Service canceled APC's long-term contract. KPC managed to gain access to some of these offerings and surpassed its anticipated timber harvest of 135 MMBF with a total harvest of 184 MMBF in 1994. Because of the excess pulpwood,

KPC had no down time due to reductions in the available wood supply and was able to operate at 74% of capacity. If no pulpwood had become available, KPC estimates that its 1994 down time would have been over 100 days. KPC's longest shutdown occurred over a five month period in 1984 when pulp prices were lower and the high value of the dollar to the yen was hurting export sales in Japan. Variations in the cost and supply of pulpwood from KPC's long-term contracts and APC's former contract areas will continue to impact the supply of timber to KPC.

Several indications exist, however, that point to a strengthening in the dissolving pulp market over the next few years. First, the recent mill closures and market-related shutdowns have helped to curb the oversupply of pulp. Also, new technology to produce the solvent spun cellulosic fiber known as lyocell may provide further growth for dissolving pulp demand. Several noted fiber manufacturers are reportedly installing and expanding their capacity to manufacture this new product. Third, general improvement in world economies is likely to boost demand for dissolving pulp in traditional product lines of rayon and acetate. Finally, the aforementioned legislation currently pending in Congress would allow a significant increase in the amount of timber harvested in the Tongass that could be used to supply the pulp mill.

The pulp mill was completed in 1954 at a cost of \$55 million. Since completion, over \$200 million has been invested in the mill to upgrade and improve efficiency and comply with environmental regulations. Throughout the 1970's and 1980's, KPC upgraded its facilities in order to meet changing federal and state wastewater and air emission standards. KPC conducts both primary and secondary wastewater treatment at the pulp mill and upgraded these facilities in 1971, 1976 and 1985 at a cost of \$36.7 million to meet progressively higher discharge standards. In 1978 and 1988, KPC expended \$7.5 million in particulate control and high efficiency dust collectors and is currently in compliance with State of Alaska emission standards. In 1993, KPC spent \$5 million on an effluent neutralization project to help monitor the pH value of its water flow.

In 1995, KPC reached a plea agreement and consent decree with the U.S. government regarding water and air compliance problems experienced at KPC's pulp mill during the late 1980s and early 1990s. In March of 1995 KPC pleaded guilty to one felony and thirteen misdemeanor violations of the Clean Water Act. The settlement also calls for KPC to pay civil and criminal monetary penalties of \$6.0 million, of which \$1.75 million will be suspended in consideration of KPC's expenditures and ongoing efforts to improve its operations. Future expenditures needed to clean up Ward Cove next to the pulp mill and to otherwise comply with the agreements are estimated to be approximately \$20 million. Over the next three years, KPC plans to spend \$80 to \$100 million for various improvement projects. These projects include a storm drain runoff, secondary spill containment, an extension of the marine outfall into the Tongass Narrows in order to qualify for a mixing zone, and an effort to become elementally chlorine-free by the end of 1996 and totally chlorine-free by 1998.

KPC is a wholly owned subsidiary of Louisiana Pacific Corporation ("LPC"), a publicly held company listed on the New York Stock Exchange. LPC manufactures lumber, pulp, structural and other panel products, hardwood veneers, windows, doors and cellulose insulation and operates 123 plants and mills in 26 states, Canada and Mexico. LPC's 1994 Form 10-K states that its two primary industry segments are "building products and pulp." LPC owns three pulp mills, and its facility in Ketchikan is the only one that manufactures dissolving pulp.

Over the past five years, pulp sales have fluctuated between 11% and 3% of LPC's total sales revenues with a 1994 figure of 7%. The pulp segment, which includes KPC, provided 35% of LPC's operating profits in 1988 and 18% in 1990. With the decrease in world pulp prices, the pulp segment generated operating losses in the past four years ranging from 1% in 1994 to 11% in 1993. In 1991 LPC completed construction on and began operating a state-of-the-art 180,000 short ton aspen (paper) pulp plant in British Columbia at a cost of approximately \$170 million.



**Testimony of Jack E. Phelps, Executive Director
Regarding HJR 64
Offered to the House Resources Committee
April 2, 1996**

Mr. Chairman, members of the committee:

My name is Jack Phelps, and I am executive director of the Alaska Forest Association. With me today is Brian Brown, Chief Logging Engineer for Silver Bay Logging, one of our member companies.

The resolution before you today, concerning the requested extension of Ketchikan Pulp Company's long-term contract, deals with the type of issue on which AFA would normally not take a position. The matter of contracts is considered the business of each individual company, although I am certain many of our member companies would readily state their individual support for an extension of KPC's contract.

My purpose today is to speak to the more technical issue of KPC's crucial role as a key component of Southeast Alaska's timber industry. This is an industry which, due to governmental policies and environmental extremism, has lost 42 percent of its work force since 1990. Just a few short years ago, Alaska had two pulp mills to process the huge volume of utility logs available in the Tongass National Forest. Today there is only one such mill, the Ketchikan Pulp Company's dissolving pulp mill at Ward Cove.

The importance of the pulp mill to Southeast Alaska's economy and to the forest industry in this state cannot be overemphasized. The need for a stable, year-round employment base in Southeast Alaska was recognized before the Second World War, and led to the establishment of the long-term contracts in the 1950s. Today, KPC is Southeast Alaska's largest industrial employer, and the largest member company in the Alaska Forest Association. Its presence in the market helps support the smaller mills in the region by building and maintaining infrastructure, by purchasing power and other utilities, and by creating downstream employment in the wood products and service industries throughout the region.

The company provides local, value-added employment based on the use of a local, renewable natural resource. It employs some 450 people in the pulp mill, 250 in related sawmills, and another 300 in the woods. These 1,000 jobs are important, not only for the families who directly depend on them, but for the entire economy of the region. The Alaska legislature, the governor, and the Alaska congressional delegation should make a priority of protecting these jobs.

The presence of the pulp mill in Ketchikan is important for another reason. In sustaining a timber industry in any forest, and the Tongass is no exception, it is always easy to sell the high end logs. There will always be a market for them. Finding a market for the low-end timber, and for the waste

wood and by-products of sawmill operations is another matter. With a pulp mill in Southeast Alaska, we have the opportunity to utilize these products here, to provide a market for them here, and to create jobs from them here in Alaska. Everyone, from our schools to the local grocer, benefits from this larger infrastructure.

In summary, Mr. Chairman, the Tongass National Forest is more than capable of sustaining the last remaining pulp mill in Alaska. Furthermore, the forest industry as a whole needs that mill to operate at full capacity. In fact, in a really healthy forest industry, we could easily sustain two, three or even more such mills in Southeast. The entire region would benefit under that scenario. Please continue to do what you can to help strengthen and support Alaska's timber industry, including the Ketchikan Pulp Company's operations in the Tongass National Forest.

Thank you for the opportunity to testify today on this important issue.



Alaska State Legislature

HOUSE RESOURCES COMMITTEE

State Capitol
Juneau, Alaska 99801-1182
(907) 465-3715

HOUSE RESOURCES COMMITTEE MEETING

April 2, 1996

Invited Speakers

Ketchikan Pulp Company

Ralph Lewis
Ernesta Ballard
Kent Nicholson

Southern Southeast Mayors

Jim Carlton, Ketchikan Borough Mayor

Administration

Diane Mayer, Director, Office of Management and Budget

Economic Impacts

John Anttonen, SERCC, Timber receipts and education
Dick Coose, Ketchikan Chamber
Bill Moran, 1st Bank
Bill Brock, McDowell Group, regional impacts

Environmental Interests

Steve Kallick, Campaign Director, Alaska Rainforest Campaign
Kelly Nollen, Attorney, Sierra Club Legal Defense Fund
Wayne Weihing, President, Tongass Conservation Society
John Sisk, former director, SEACC

Independent Operators

Brian Brown, Silver Bay Logging
Jack Phelps, Executive Director, Alaska Forest Association
Kathy Lietz, Black Bear Cedar Products
Kirk Dahlstrom, Viking Lumber Company
Steve Seley, Seaborne Lumber