

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 80/2

9689 SENATE RESOURCES

## Travel

### Department of Community & Regional Affairs

Project Manager	
Bethel (Kuskokwim) Trips- 8 Trips @ \$995/Trip	\$7,960
Plane Ticket - \$450	
Per Diem - \$158/Day (Average Trip - 2.5 Days)	
Taxi Fares - \$20/Day	
Dillingham (Bristol Bay) Trips - 5 Trips @ \$770/Trip	\$3,850
Plane Ticket - \$400	
Per Diem - \$138/Day (Average Trip - 2.5 Days)	
Taxi Fares - \$10/Day	
Bethel Office Staff (LGS) & Project Manager	
Kuskokwim Village Travel - 20 Trips @ \$150/Day	\$3,000
Plane Tickets - \$150 (Average Cost)	
Dillingham Office Staff (LGS) & Project Manager	
Bristol Bay Village Travel - 15 Trips @ \$200/Day	\$3,000
Plane Tickets - \$150 (Average Cost)	
Per Diem - \$50/Day	
Project Manager - 1 Juneau Trip	\$1,000
Plane Ticket - \$450	
Per Diem - \$150/Day (2.5 days)	
Car Rental - \$175 (2.5 days)	
Bethel & Dillingham Staff Trips to Juneau for Program Orientation & Assessment	
Bethel - 2 Staff members x 1 trip each @ \$825/Trip	\$1,650
Plane Ticket - \$450	
Per Diem - \$150 (2.5 days)	
Dillingham - 1 Staff x 2 trips @ \$775/Trip	\$1,510
Plane Ticket - \$400	
PerDiem - \$150 (2.5 days)	
Division of Investment Staff	
Bethel - 2 trips @ \$995/ Trip	\$1,910
Dillingham - 2 trips @ \$770/Trip & some village Travel	<u>\$1,787</u>
TOTAL	\$25,667

**EQUIPMENT \$5.000**

A portable computer will be purchased for the Bethel office staff. The cost for the computer and associated soft ware is \$4,200.

The Dillingham regional office will use the remainder of the equipment funds to upgrade the computer capacity.

**SUPPLIES \$1.000**

These funds will be used for general office supplies for the Anchorage, Bethel and Dillingham offices. These funds will be used to cover the cost of paper, pens, flip charts, markers, and other necessary supplies.

(1) shall provide for the complete of parcels under this section not late of the submittal of the plan

(1) Subject to paragraphs (2) y or transfer parcels of land in ac- fied in the agreement submitted to

located under the agreement that r transfer in accordance with the e reason of its requirements to meet is Department, the Secretary shall the case may be, when the parcel

located under the agreement that transfer in accordance with such ents for environmental restoration l convey or transfer the parcel, as tion of the environmental restora- s with respect to the parcel.

as that environmental restoration e be expected to be completed with e 10-year period beginning on the e Secretary shall not convey or m.

REFERRED LAND.—The parcels of er this section shall be used for l preservation purposes, economic nity self-sufficiency purposes.

YCES AND TRANSFERS.—(1) The asfers under this section is to ful- uates with respect to Los Alamos under sections 91 and 94 of the 366 (42 U.S.C. 2391, 2394).

is conveyance or transfer of the yances or transfer under this see further payments with respect to under section 91 or section 94 of of 1956.

VISION.—In the event of the or- uthorization Act for Fiscal Year he President of the conference re- '9) of the 105th Congress, section

nces beginning March 1, 1997 this Act, the Secretary of Agri- fracts proceeds earned from the e established in the Agricultural k indemnity program for losses e Presidential or Secretarial dec- ument of Public Law 105-18 : manner similar to catastrophic commodities under 7 U.S.C. stering a program described in

the preceding sentence, the Secretary shall, to the extent practicable, utilize gross income and payment limitations conditions established for the Disaster Reserve Assistance Program for the 1996 crop year: Provided further, That the entire amount shall be available only to the extent an official budget request, that includes designation of the entire amount of the request as an emergency requirement as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, is transmitted by the President to the Congress: Provided further, That the entire amount is designated by Congress as an emergency requirement pursuant to section 251(b)(2)(D)(ii) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

Sec. 634. During fiscal year 1993, from funds available to the Department of Defense, up to \$800,000 is available to the Department of Defense to compensate persons who have suffered documented commercial loss of cranberry crops in 1987 in the Mashpee or Falmouth bays, located on the Quashnet and Coanacoctet Rivers, respectively, as a result of the presence of alkylene dibromide (EDB) in or on cranberries from either of the plumes of EDB-contaminated groundwater known as "FS-28" and "FS-1" adjacent to the Massachusetts Military Reservation, Cape Cod, Massachusetts.

TITLE VII—RESCISSIONS  
DEPARTMENT OF JUSTICE  
GENERAL ADMINISTRATION  
WORKING CAPITAL FUND  
(RESCISSION)

Of the unobligated balances available under this heading on September 30, 1997, \$100,000,000 are rescinded.

TITLE VIII—EMERGENCY SUPPLEMENTAL APPROPRIATIONS

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION  
OPERATIONS, RESEARCH, AND FACILITIES

For an additional amount for "Operations, Research, and Facilities", for emergency expenses to provide disaster assistance pursuant to section 312(a) of the Magnuson-Stevens Fishery Conservation and Management Act for the Bristol Bay and Kuskokwim areas of Alaska, \$7,000,000 to remain available until expended: Provided, That the entire amount is designated by Congress as an emergency requirement pursuant to section 251(b)(2)(D)(v) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended: Provided further, That the entire amount shall be available only to the extent that the Secretary of Commerce transmits a determination that there is a commercial fishery failure.

AUG-05-07 TUE  
10:51 AM  
JUL 31 31

11:42 AM

P. 01/02

Post-it® brand fax transmittal memo 7671

To	Sanders		
From	Fryer		
Co.			
Dept.			
Fax #	916-547-64		

PAGE 3/4

F. 03/04

16 U.S.C. 1861-1861a  
M.S. Act §§ 311-312

104-297

(2) **ENFORCEMENT IN THE PACIFIC INSULAR AREAS.**—The Secretary, in consultation with the Governor of the Pacific Insular Areas and the Western Pacific Council, shall to the extent practicable support cooperative enforcement agreements between Federal and Pacific Insular Area authorities.

99-659, 104-297

(a) **DEFINITIONS.**—For purposes of this section—

(1) The term "provisions of this Act" includes (A) any regulation or permit issued pursuant to this Act, and (B) any provision of, or regulation issued pursuant to, any international fishery agreement under which foreign fishing is authorized by section 201(b) or (c), or section 204(d), with respect to fishing subject to the exclusive fishery management authority of the United States.

(2) The term "violation of any provision of this Act" includes (A) the commission of any act prohibited by section 307, and (B) the violation of any regulation, permit, or agreement referred to in paragraph (1).

104-297

**SEC. 312. TRANSITION TO SUSTAINABLE FISHERIES<sup>1</sup>**

16 U.S.C. 1861a

(a) **FISHERIES DISASTER RELIEF.**—

(1) At the discretion of the Secretary or at the request of the Governor of an affected State or a fishing community, the Secretary shall determine whether there is a commercial fishery failure due to a fishery resource disaster as a result of—

- (A) natural causes,
- (B) man-made causes beyond the control of fishery managers to mitigate through conservation and management measures; or
- (C) underdetermined causes.

<sup>1</sup> Section 115(e) of Public Law 104-297 "amends" § 311(f) of the Magnuson-Stevens Act by: (1) inserting "201(b) or (c), or section 204(d)," and (2) striking "201(b), (c)". Since § 311 does not include a subsection (1), the editors assume Congress intended to revise subsection (b). Since the words "201(b), (c)," do not appear in § 311(b), the editors assume Congress intended to strike the words "201(b) or (c)".

<sup>2</sup> Sections 116, 203, 204, 205, and 206 of Public Law 104-297 "amend" sections of the Magnuson-Stevens Act that do not exist (specifically, sections 312, 402, 403, 404, and 405). The editors assume Congress intended to "add" new sections.

16 U.S.C. 1861a  
M-S Act § 312

(2) Upon the determination under paragraph (1) that there is a commercial fishery failure, the Secretary is authorized to make sums available to be used by the affected State, fishing community, or by the Secretary in cooperation with the affected State or fishing community for assessing the economic and social effects of the commercial fishery failure, or any activity that the Secretary determines is appropriate to restore the fishery or prevent a similar failure in the future and to assist a fishing community affected by such failure. Before making funds available for an activity authorized under this section, the Secretary shall make a determination that such activity will not expand the size or scope of the commercial fishery failure in that fishery or into other fisheries or other geographic regions.

(3) The Federal share of the cost of any activity carried out under the authority of this subsection shall not exceed 75 percent of the cost of that activity.

(4) There are authorized to be appropriated to the Secretary such sums as are necessary for each of the fiscal years 1996, 1997, 1998, and 1999.

**(b) FISHING CAPACITY REDUCTION PROGRAM--**

(1) The Secretary, at the request of the appropriate Council for fisheries under the authority of such Council, or the Governor of a State for fisheries under State authority, may conduct a fishing capacity reduction program (referred to in this section as the "program") in a fishery if the Secretary determines that the program--

(A) is necessary to prevent or end overfishing, rebuild stocks of fish, or achieve measurable and significant improvements in the conservation and management of the fishery;

(B) is consistent with the Federal or State fishery management plan or program in effect for such fishery, as appropriate, and that the fishery management plan--

(i) will prevent the replacement of fishing capacity removed by the program through a moratorium on new entrants, restrictions on vessel upgrades, and other effort control measures, taking into account the full potential fishing capacity of the fleet; and

(ii) establishes a specified or target total allowable catch or other measures that trigger closure of the fishery or adjustments to reduce catch; and

(C) is cost-effective and capable of repaying any debt obligation incurred under section 1111 of title XI of the Merchant Marine Act, 1936.

# **Ted Stevens**

## **United States Senator For Alaska**



Contact: Press Office  
(907) 584-3208

November 10, 1997  
FOR IMMEDIATE RELEASE

### **MEDIA ADVISORY**

#### **SENATE APPROVES OMNIBUS FUNDING BILL WHICH CONTAINS BRISTOL BAY/KUSKOKWIM AREA DISASTER AID; MEASURE NOW GOES TO HOUSE OF REPRESENTATIVES**

In a rare Sunday session, the Senate yesterday evening approved an omnibus spending bill which contains \$7 million in disaster aid for the Bristol Bay/Kuskokwim areas affected by this summer's massive fishery failure.

The omnibus bill, which includes appropriations for the Departments of Commerce, Justice and State, the District of Columbia and Foreign Operations, was sent to the House of Representatives. The measure will not be considered before Wednesday, the next scheduled meeting of the House.

The Commerce Department's declaration of a fishery resource disaster in the Bristol Bay and Kuskokwim River drainage opened the way for the disaster aid funding to be included in the Commerce-Justice State appropriations bill, under a provision, Sec.312, authored by Senator Stevens in the Magnuson-Stevens Act last year. The provision allows for disbursement of funds to assist communities impacted by a fishery failure which occurs because of natural or undetermined causes. At Stevens' suggestion, the Governor requested assistance of the Commerce Department under Sec.312.

If the House makes changes in the omnibus bill, it will have to go back to the Senate for reconsideration.

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Alaska Offices: Anchorage: 771-8618 Fairbanks: 486-0891 Juneau: 686-3466  
Kenai: 283-8808 Ketchikan: 285-0800

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**CITY OF EGENIK**

P.O. Box 189  
Egegik, AK., 99579  
Ph.: (907) 233-2400  
Fax: (907) 233-2231

14 April, 1998

Senator Rick Halford  
Chairman, Senate Resources Committee  
Room 124  
State Capitol  
Juneau, Alaska, 99801-2197

Dear Senator Halford:

The City of Egegik and the Native Village of Egegik hereby request that the Senate Resources Committee, on 15 April, 1998, act favorably on HB 370, in order that the Legislature's passage of this appropriations bill be expedited for the providing of meaningful work and income for the fishing people in the Bristol Bay and Yukon-Kuskokwim Communities, nearly all of whom have suffered financially from last year's disastrous commercial fishery season. As you are aware, Legislative approval of HB 370 is required so that \$1,875,000 in State funds can be made available as matching funds for the \$7,000,000 in federal funds already allocated under the Magnuson-Stevens Fisheries Conservation and Management Act, in accordance with the Department of Commerce-NOAA's approval of the Bristol Bay and Kuskokwim Fisheries Disaster Program.

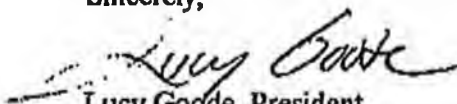
Senator, the people of Egegik and the entire Bristol Bay Region, particularly through meetings with NOAA Staff, have chosen that the Fisheries Disaster funds, allocated for our area, be awarded through the mechanism of approved Community Grant Program (CGP) projects. The Community of Egegik is scheduled to receive, contingent on HB 370 being approved, \$107,635.00 in CGP funds. The City of Egegik and the Native Village of Egegik plan to use these funds later this summer for meaningful, labor intensive projects which will provide immediate jobs and income for local resident fishermen during the project construction period. Additionally, these same projects, over the long term, will benefit both local and visiting fishermen: a) by providing improvements to the City of Egegik's Public Dock -- used by subsistence fishermen, plus the commercial fishery and nascent sports-fishery industry here -- and b) by developing a dock staging area to be used by all the above fishery user groups, as well as the entire Egegik Community, on land owned by the Native Village of Egegik.

It is our understanding that a few commercial fishermen from urban areas of our State are opposed to the concept of the Community Grant Program, insofar as they feel and have

articulated these feelings to you and your Committee Members, that such a program merely is advantageous to local, rural bureaucracies rather than the fishermen themselves. Certainly, we can respect the sincerity of these sentiments being expressed by these few urban fishermen; indeed, the Representatives from the Department of Commerce-NOAA seemed to have held the same opinions prior to their actually having visited here and having listened to how permanent Bristol Bay and Yukon-Kuskokwim area residents actually viewed the situation. Nevertheless, it is our conviction and the convictions of the people in the Egegik Community who have elected us, that the economic and financial hurt that fishermen here suffered from last year's poor commercial fishery season, best can be remedied through these same Community Grant Program projects. Here, where there is little private industry, it is the City and the Tribe who, in poor commercial fishery seasons, must provide the financial and material resources which in urban areas of our State can be supplied through private, non-seasonal employment. Moreover, since the commercial fishery harvest forecast for the Egegik District this coming summer hardly is encouraging, it is even more important that the labor intensive jobs which these Program projects will provide, be implemented not only to relieve the suffering resulting from last summer's poor fishery harvest; but also, to augment and supplement the meager income which may result from this summer's commercial fishery season.

Accordingly, we ask that your Senate Resources Committee act favorably on HB-30, in order that this appropriations bill may move forward and be passed as quickly as possible by the Legislature. In this manner, the Community of Egegik and other Communities both in the Bristol Bay and Yukon-Kuskokwim regions, finally will benefit from the fishery disaster funds of which our People have been in need for the past eight months.

Sincerely,



Lucy Goode, President  
Native Village of Egegik



Richard Deigh, Mayor  
City of Egegik

**HB**

**373**

**SENATE COMMITTEE REPORT**  
**First Committee of Referral**

DATE: 3/27/98

FURTHER: Transportation

DATE TURNED IN TO OFFICE: 4/7/98

Resources Committee considered CS FOR HOUSE BILL NO. 373(RES)

FOREST RESOURCES

and recommends:

- be replaced with S CS HB 373 (RES)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>[Signature]</i>	<input checked="" type="checkbox"/>		
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
<b>CHAIR: <i>[Signature]</i></b>	<input checked="" type="checkbox"/>	<b>CHAIR:</b>			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal
<i>[Signature]</i>			

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal
BNR	4/7	X	

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# Alaska State Legislature



Official Business  
Fax: (907) 465-3472

State Capitol  
Juneau, AK 99801-1182  
(907) 465-3720  
(907) 465-2689

Speaker of the House of Representatives

Rep. Gail Phillips

## Sponsor Statement

February 19, 1998

### House Bill 373

#### **"An Act relating to forests and forestry practices."**

A cooperative agreement between timber, fishing and environmental stakeholders has resulted in proposed changes to the Forest Practices Act (FPA) that will strengthen the stream and water quality protections currently found in state law.

In an effort to continually reappraise the FPA's effectiveness, a committee comprised of timber, fishing and state agency representatives evaluated scientific findings over a two-year period. In January, the Board of Forestry endorsed the findings at its January 1998 meeting. The Board subsequently requested legislative approval of the proposed protective measures.

Under current regulations, all anadromous\* streams are protected, but exceptions are allowed for marginal streams. The new law will eliminate that exception, while adding additional stream protections.

The changes affect only the "coastal forest of spruce or hemlock" in the Department of Natural Resources' Region I (coastal area covering roughly Ketchikan to Kodiak). The proposed language accomplishes several goals:

- assigns a "type" designation to all streams, putting to rest concerns that some segments of anadromous streams were not classified
- extends the no-harvest riparian\*\* buffer zone to ALL anadromous fish streams, relative to "type"
- requires the retention of low-value timber along certain tributaries where prudent, so that the large woody debris (LWD) may eventually fall into streams, forming natural pools downstream, which are important for the rearing of juvenile fish.

I am pleased to sponsor this legislation which represents solid teamwork between various members of timber, fishing, environmental groups and state agencies. The resulting legislation is a big step toward protecting our valuable fish resources, while the collaborative process all the stakeholders went through to define the changes has paved the way for future cooperation.

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\*anadromous – bodies of water in which salmon travel upstream to spawn

\*\*riparian – located on a river or stream bank, as in riparian vegetation

# FISCAL NOT

**STATE OF ALASKA**  
**1998 LEGISLATIVE SESSION**

**BILL NO. SCSHB373(RES)**

Revision Date: \_\_\_\_\_ Dept Affecter: Natural Resources  
 Title: An Act relating to forests and forestry practices BRU: Resource Development  
 Component: Forest Management & Development  
 Sponsor: Rep. Phillips  
 Requestor: (S) RES Component Serial No. 435

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
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<b>CHANGE IN REVENUES (fund code)</b>	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: \$ 0.0

**POSITIONS**

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

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

This bill changes the Forest Resources and Practices Act requirements on private land along anadromous waters and tributaries to anadromous waters. Notably, it adds buffers on Type B anadromous streams. DNR is the lead agency for enforcing the Act. In the first year (FY 99), training will be needed for landowners, operators, and staff on proper implementation of the new standards. This training will be accomplished within existing resources.

Prepared by: Jeff Jahnke, Director Phone: 465-3379  
 Division: Forestry Date: 7-Apr-98  
 Approved by Commissioner: [Signature] Date: 4/7/98  
 Agency: Natural Resources

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# FISCAL NOTE

No: \_\_\_\_\_

**STATE OF ALASKA**  
**1998 LEGISLATIVE SESSION**

**BILL** Bill Version: CSHB 373 (RES)  
 (H) Publish Date: 2/23/98

Revision Date: \_\_\_\_\_  
 Title: An Act relating to forests and forestry practices  
 Sponsor: Rep. Phillips  
 Requestor: House Resources

Dept Affected: Natural Resources  
 BRU: Resource Development  
 Component: Forest Management & Development  
 Component Serial No. 435

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CHANGE IN REVENUES (fund code)</b>	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						
1007 GF Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: \$ 0.0

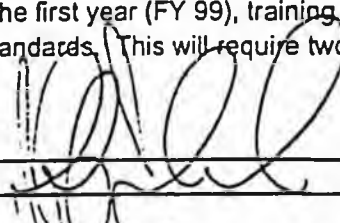
**POSITIONS**

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

**ANALYSIS:**

(Attach a separate page if necessary)

This bill changes the Forest Resources and Practices Act requirements on private land along anadromous waters and tributaries to anadromous waters. Notably, it adds buffers on Type B anadromous streams. Based on the distribution of stream types, there will be an estimated 21% increase in the number of buffered stream miles. DNR is the lead agency for enforcing the Act. Additional buffers will require additional staff time for office review of notifications (3 mo. each annually for 2 existing seasonal Forester II positions in Southeast Alaska), and field review of violation requests and violations (19 days/year). In the first year (FY 99), training will be needed for landowners, operators, and staff on proper implementation of the new standards. This will require two training sessions, one each in southeast and southcentral Alaska.

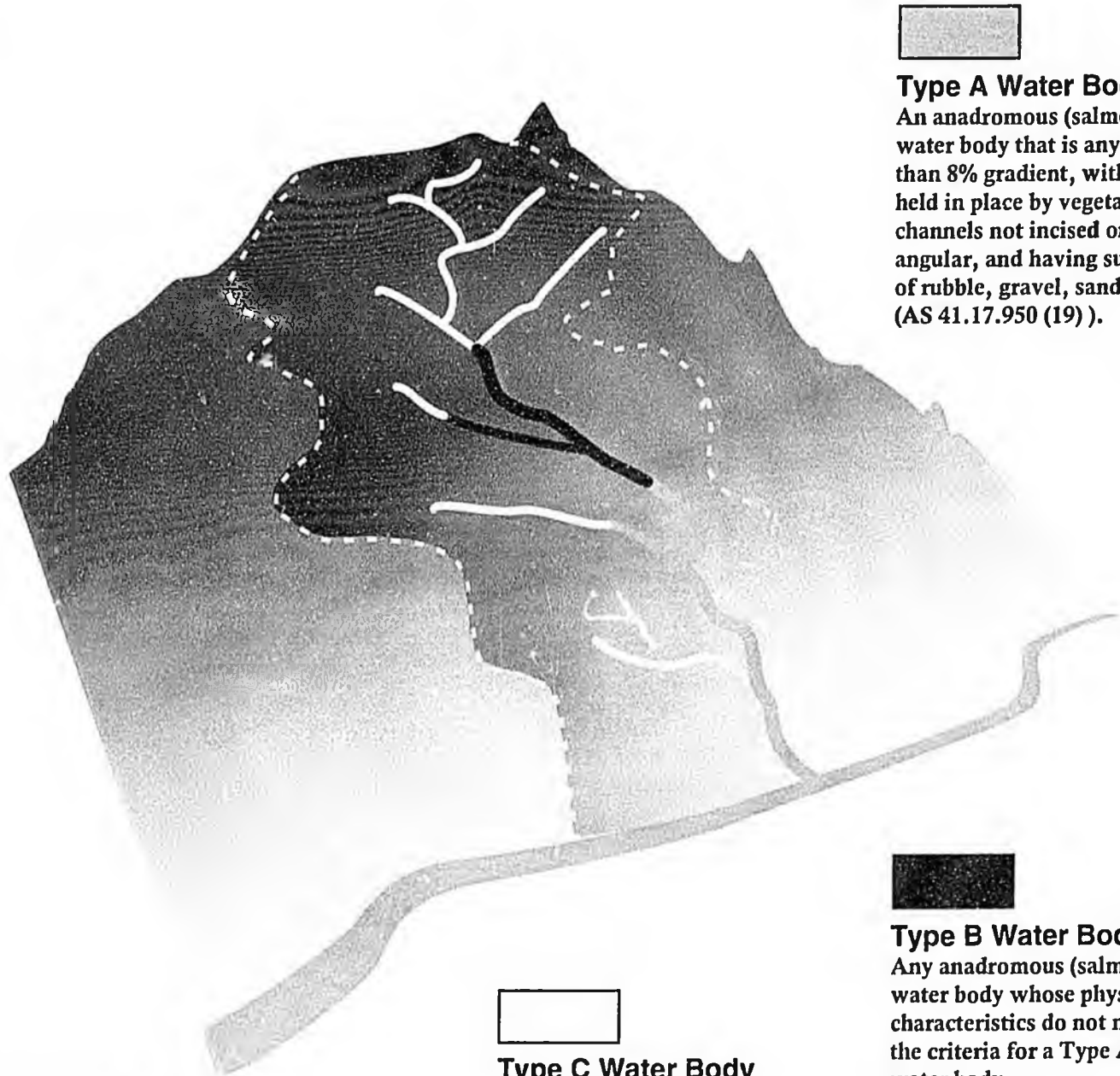


Prepared by: Jeff Jahnke, Director  
 Division: Forestry  
 Approved by Commissioner: [Signature]  
 Agency: Natural Resources

Phone: 465-3379  
 Date: 10-Feb-98  
 Date: 2-11-98

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Alaska Forest Resources and Practices Act  
**Stream Classification System**



**Type A Water Body**

An anadromous (salmon) water body that is any size, less than 8% gradient, with banks held in place by vegetation, channels not incised or sharply angular, and having substrate of rubble, gravel, sand or silt. (AS 41.17.950 (19)).



**Type B Water Body**

Any anadromous (salmon) water body whose physical characteristics do not meet the criteria for a Type A water body.



**Type C Water Body**

A water body that is not anadromous, is a tributary to a Type A or Type B water body, and has a gradient of 12% or less.



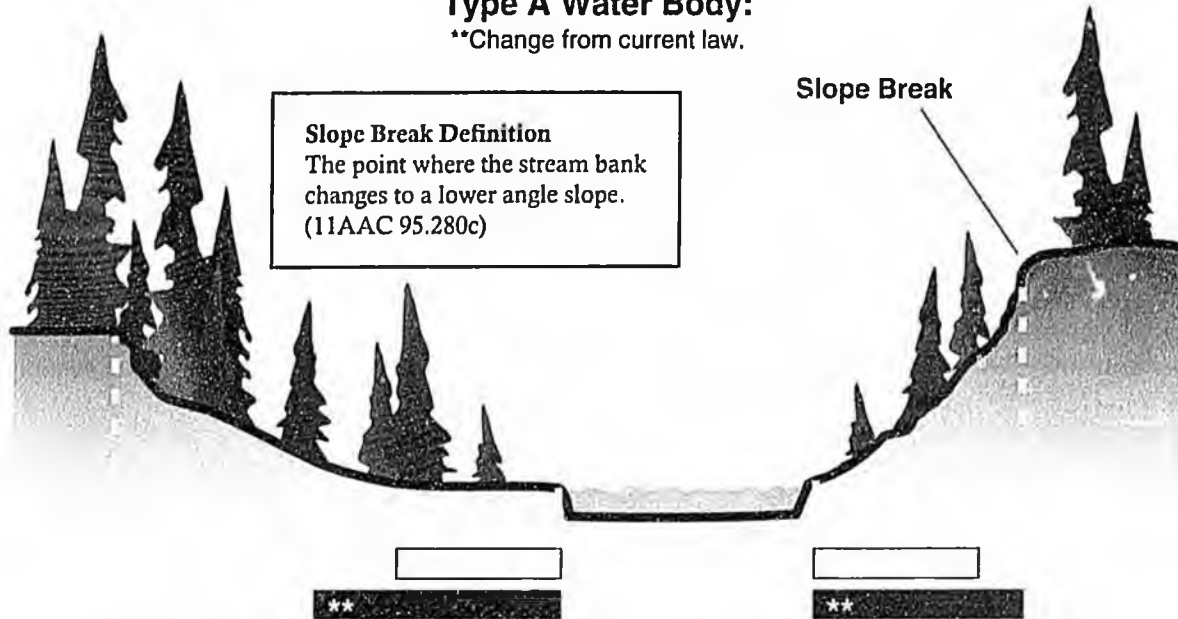
**Type D Water Body**

A water body that is not anadromous, is a tributary to a Type A or Type B water body, and has a gradient greater than 12%.



**Alaska Forest Resources and Practices Act**  
 Revised Riparian Protection Standards  
 Region I

**Type A Water Body:**

\*\*Change from current law.

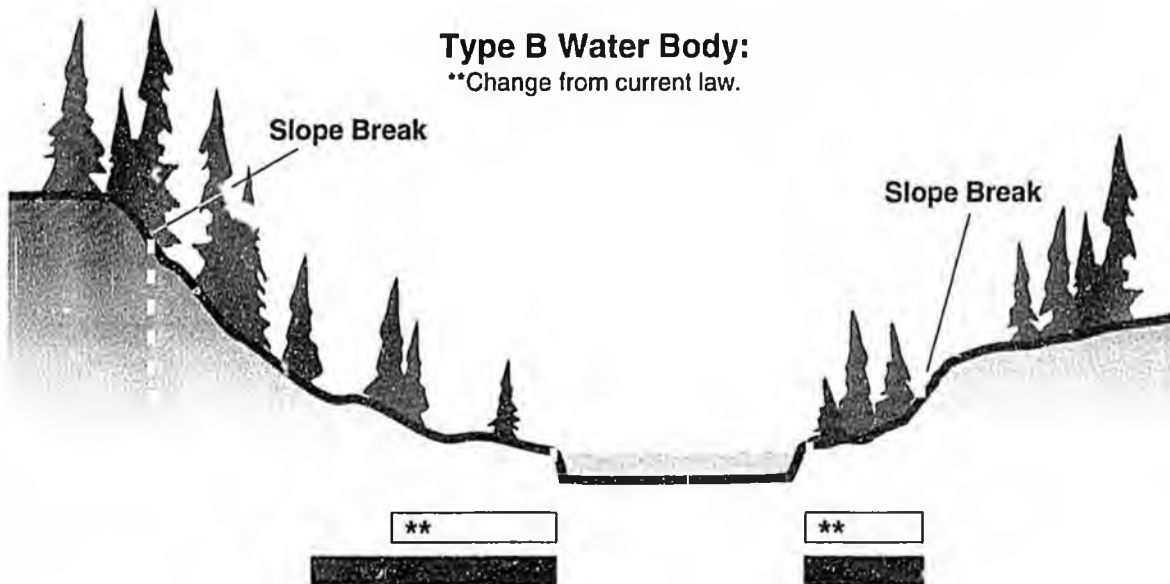


**Type A Water Body:**

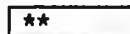

-  66' mandatory retention buffer.
-  \*\*Slope stability BMP's apply, 100' or to slope break, whichever is less.

**Type B Water Body:**

\*\*Change from current law.

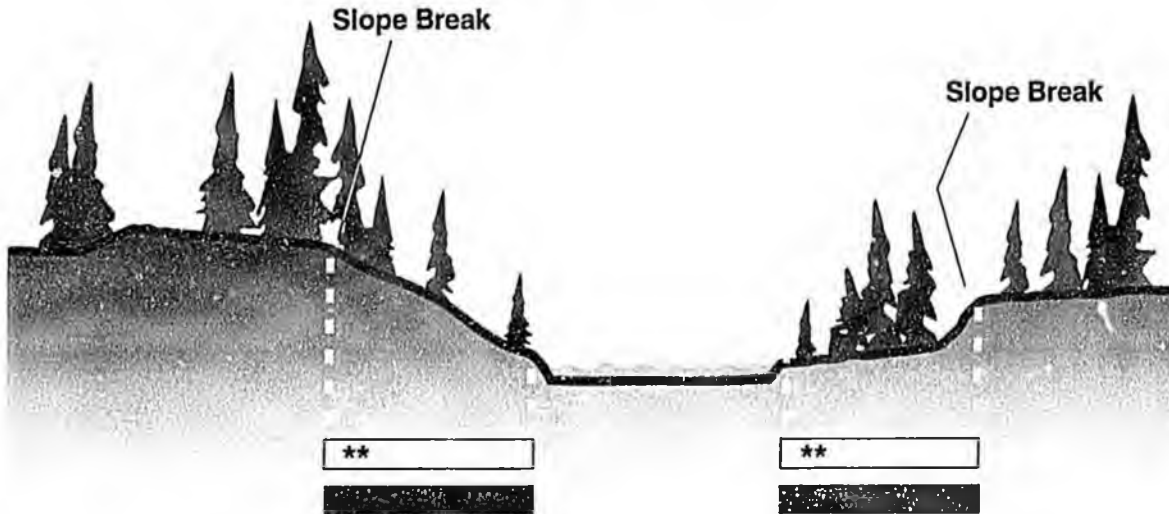


**Type B Water Body:**

-  \*\*Mandatory retention buffer--66' or to slope break, whichever is less.
-  Slope stability BMP's apply, 100' or to slope break, whichever is less.

**Alaska Forest Resources and Practices Act**  
 Revised Riparian Protection Standards  
 Region I

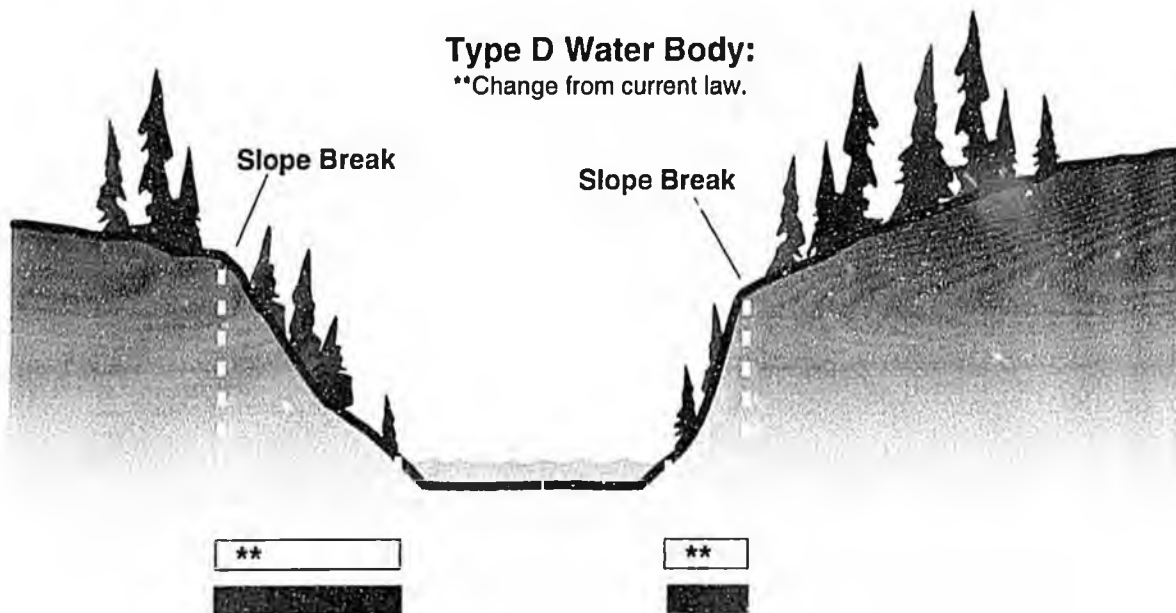
**Type C Water Body:**  
 \*\*Change from current law.



**Type C Water Body:**

- \*\* \*\*For streams greater than 8' or 13' (based on channel characteristics), retain low economic value timber 25' up to 100' from the stream depending upon location of slope break.
- Slope stability BMP's apply – 100' or to slope break, whichever is less.

**Type D Water Body:**  
 \*\*Change from current law.



**Type D Water Body:**

- \*\* \*\* For streams greater than 8' or 13' (based on channel characteristics), retain low economic value timber 25' up to 50' from the stream depending upon location of slope break.
- Slope stability BMP's apply---50' or to slope break, whichever is less.

**TESTIMONY OF RICHARD P. HARRIS**  
**Senior Vice President**  
**SEALASKA CORPORATION**

**Senate Resources Committee**

**HOUSE BILL 373 - FOREST PRACTICES ACT AMENDMENTS**

I am Richard Harris, Senior Vice President of Sealaska Corporation, a Native Regional Corporation, organized under the Alaska Native Claims Settlement Act and under the laws of the State of Alaska. Sealaska Corporation has over 16,000 shareholders. Under the Settlement Act, Sealaska will receive over 330,000 acres of land all of which is private land. Approximately 220,000 acres of Sealaska's lands is commercial forestland. Harvest of timber from this land is regulated by the Forest Practices Act and the amendments proposed in House Bill 373.

Sealaska Corporation supports for HB 373. This bill establishes supplemental environmental protection standards on private lands in Region 1 (hemlock, spruce forests of coastal Alaska) and adds a new stream type.

Since 1992, Sealaska Corporation, the Alaska Forest Association and other timber owners have been conducting forest practices effectiveness monitoring to determine if the Act and the regulations are protecting fish habitat and water quality. I am pleased to advise you that the results show that the Act and the regulations are effectively protecting these public resources.

The results from our monitoring, as well as the two year process, directed by the Board of Forestry, to evaluate biological, environmental and economic issues associated with timber harvest and its interaction with fisheries habitat and water quality, concluded that there were opportunities to strengthen the Act. Through this collaborative process the timber industry and land owners could see that the proposed changes will yield measurable, beneficial results to fish habitat and water quality. Conversely the timber

industry was able to guide development of legislative changes to achieve protection objectives without unreasonable cost or burden on the industry or private landowners.

Sealaska endorses the process and supports the results that are embodied in HB 373. The State of Alaska already has one of the most comprehensive and effective Forest Practices Acts in the Nation. The proposed amendments will serve to strengthen that Act and still ensure a healthy timber industry.

Thank you for the opportunity to address this issue and speak in support of House Bill 373. I would be pleased to answer any questions that the committee members may have.

Testimony of United Fishermen of Alaska  
before the  
Senate Resources Committee  
on HB 373, relating to forestry and forest practices

April 6, 1998

Mr. Chairman and members of the committee, my name is Liz Cabrera. I am the executive director of United Fishermen of Alaska and will be speaking on their behalf.

UFA has adopted a position in support of HB 373 as introduced. This legislation is the result of both the commercial fishing and forest products industries working together, with the assistance of the Board of Forestry and state agency staff, to find common ground. We support this legislation because it represents an improvement in the laws governing forest practices, and in particular, it affords greater protection for sensitive fish habitat.

We realize that increased protection for riparian areas does not come without its own costs. We recognize that private land owners are paying out of pocket to do what is right for habitat protection, and we appreciate their willingness to do so.

We'd like to thank Speaker Phillips and Senate President Miller for introducing this important piece of legislation. We urge the committee to pass of HB 373 as introduced.

Thank you for the opportunity to comment.



**Klukwan Forest Products, Inc.**  
P.O. Box 34659 • Juneau, Alaska 99803-4659  
(907) 789-7361 • Fax: (907) 789-0675

MAR 17 1998

March 13, 1998

Senator Rick Halford  
Chair, Senate Resources Committee  
Alaska State Legislature  
State Capitol, Room 121  
Juneau, AK 99801-1182

Dear Senator Halford:

I am writing in support of HB 373, entitled an "Act Relating to Forest And Forestry Practices". This bill is the result of a two year process to assess the need to provide additional protection for fisheries and water quality in the State's coastal forests.

The bill provides additional protection measures that will achieve real results without causing an unreasonable burden to landowners or the industry. It has wide industry and landowner support and was arrived at through a consensus-based process under the auspices of the Board of Forestry.

We urge Senate support for this measure and we appreciate this opportunity to comment. Please feel free to contact me if I may provide additional information.

Sincerely,

Robert G. Loiselle  
President

cc: Richard P. Harris, Sealaska Corporation  
Jack Phelps, Alaska Forest Association

# Anchorage Daily News



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Gerald E. Grilly, Publisher, 1984-1993  
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Founded in 1946 by Norman C. Brown

## Salmon streams

### *A measure that matters*

More Alaskans, including those who work in the timber trade, are willing to protect salmon-bearing streams in Alaska's coastal rainforest from further degradation.

That's heartening.

Speaker of the House Rep. Gail Phillips has sponsored legislation that moves Alaska closer to better balancing development rights and salmon habitat in the rainforest running from roughly Ketchikan to Kodiak.

This emerging shift in philosophy, if handled properly, can benefit Alaskans who look to the forests for recreation or to sustain their livelihoods, be it fishing, ecotourism, professional guiding or the like.

The Phillips bill, HB373, requires loggers on private property in the affected coastal region to leave no-cut buffers along all streams crossing the property. Right now, only major streams that support fish spawning or rearing are protected.

HB373 also requires loggers to leave buffers of low-val-

ue timber along some types of tributaries "where prudent." The idea here is let nature do its work: debris like fallen trees moves downstream and eventually creates natural pools that salmon favor.

The House measure, which was shepherded through the body by Rep. Bill Hudson of Juneau and amends a 1990 forestry act, passed unanimously earlier this month and is now in the Senate. It originated in the work of a state-backed committee of diverse interests, including the timber industry, that re-

*This emerging shift in philosophy, if handled properly, can benefit*

*Alaskans who look to the forests for recreation or to sustain their livelihoods, be it fishing, ecotourism, professional guiding or the like.*

viewed scientific research on this issue for the past two years.

While environmental groups participated in the scientific-review process and largely support the Phillips bill, they're on record with a couple of legitimate concerns. If, as they and scientists contend, the proposed streamside buffers aren't wide enough to conserve salmon stocks, then legislators must revisit the issue. Lawmakers must take care to properly balance the rights of private-property owners who log against their responsibilities — such as properly caretaking public resources like fish and deer and wolves and bear that inhabit their property.

Southeast conservationist Marc Wheeler says, "At least in Southeast Alaska, all the private lands that this would apply to, most of those streams have been cut to the bank already." The state can't go back and undo the damage but it can apply lessons learned in Southeast to other places that have been largely untouched by clearcut logging.

All this said, HB373 is a good measure that helps inch Alaskans toward looking at rainforest watersheds with both wide-angle and closeup lenses. This whole-systems approach is part of evolving science that says smaller streams feeding into larger salmon-bearing streams must be better protected.

Congratulations to the state House of Representatives and Speaker Gail Phillips for getting this bill off and running.

State of Alaska  
Office of the Governor

**Tony Knowles**  
Governor  
P.O. Box 110001  
Juneau, Alaska 99811-0001  
**NEWS RELEASE**



**Bob King**  
Press Secretary  
**Claire Richardson**  
Deputy Press Secretary  
907-465-3500  
FAX: 907-465-3533

FOR IMMEDIATE RELEASE: January 30, 1998

98-023

**STAKEHOLDER INVOLVEMENT CRAFTS**  
**FOREST PRACTICES ACT REVISION**

Calling it a model of stakeholder involvement, Gov. Tony Knowles hailed the work that crafted proposed amendments to the Forest Practices Act. The changes affecting logging practices on private land in Alaska strengthen fish habitat and water quality protections, and were the result of a stakeholder process initiated by Knowles in 1995.

"By bringing together Alaskans from all sides, we have crafted a bill which increases fish habitat and water quality protections and is workable for the timber industry," Knowles said. "The Forestry Board and the Science and Technical Committee have produced a solid bill that could only come about by bringing all stakeholders to the table."

Knowles created the Science and Technical Committee to work on amendments to the Forest Practices Act after concerns regarding the act were raised by the Alaska Department of Fish and Game. The committee included state agency officials, timber industry representatives and the fishing industry. The nine-member Board of Forestry, which includes representatives of the forest, mining, commercial fishing, and recreation industries, reviewed the work.

The proposal, and the process that created it, won praise from the industry. "The Alaska Forest Association (AFA) congratulates you on the very positive outcome of the process you initiated two years ago to deal with issues surrounding the state's Forest Resources and Practices Act," Jack Phelps, executive director of the AFA, said in a letter to Knowles. "The Science/Technical Committee you established encouraged industry and agency cooperation. The result was a science-based review which enabled us to cooperatively identify areas for improvement in a very sensitive section of Alaska law. The AFA thanks you for your leadership in this very important activity."

Legislation to amend the act to require buffers on ALL anadromous fish streams and strengthen protections along their tributaries was introduced in the state House and Senate this week with bipartisan support. Knowles thanked Senate President Mike Miller and House Speaker Gail Phillips for their support and pledged to work with them as the bill moves to passage.

"The principles on which I base resource decisions are sound science, prudent management and an open, public process," Knowles said. "It's a winning combination that produces solid success, but it's only possible by bringing all Alaskans to the table. It's what 'doing it right' is all about."

*Voice of the Times*

**OPINION: THE RIGHT WAY**

Habitat protection legislation introduced recently in the Alaska Legislature merits a lot more public attention than it initially received. Senate Bill 270, and an identical bill in the House, would amend the state's Forest Practices Act and provide additional protection for salmon streams. Specifically, the legislation would require streamside buffers -- areas in which no timber could be harvested -- along so-called "marginal" salmon streams that cross private property. Under existing state law, all anadromous fish streams are protected by no-cut buffer zones, but an exception is allowed for certain marginal fish streams. The new law would eliminate the exception.

Additionally, the bill would make dozens of other modifications and improvements to update the Forest Practices Act. These changes were recommended by the state Board of Forestry after its members evaluated scientific research conducted over a two-year period by biologists hired to study the effects of Alaska's regulations on timber industry operations.

The nine members of the Board of Forestry, appointed by the governor, represent the commercial fishing, mining, tourism and timber industries, the environmental sector and Native groups. The state forester is also a member.

The legislation that was introduced last Thursday is sponsored by the Republican leadership -- Sen. President Mike Miller, R-North Pole, and House Speaker Gail Phillips, R-Homer. The bill is strongly endorsed by Gov. Tony Knowles and is expected to have solid bipartisan support as it moves through the legislative process.

There is a dramatic difference between the process followed by the state to protect all fish streams and the recent decree by the U.S. Forest Service banning new roads in national forests. Both were justified as necessary to protect habitat. The state's policy decision is based on sound science and a consensus negotiated among the stakeholders. It's a win-win situation for all sides. The timber industry can still operate, the salmon stocks remain strong, and streams are not

polluted. Not surprisingly, the bill now enjoys broad support.

The federal action, in contrast, was based on a deal cut by the Clinton administration and the national environmental lobby behind closed doors, according to Alaska Rep. Don Young.

There is no scientific study backing the road ban. A number of local communities, states and businesses are being unnecessarily hurt by it. In Alaska, for instance, if an exception isn't made for the Chugach National Forest, there can be no way of effectively addressing the spruce bark beetle crisis. Few people are happy with the federal edict.

Uncle Sam could learn a thing or two by noting how the process works in Alaska.



# UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 112  
Juneau, Alaska 99801  
907/586-2820  
Fax: 907/463-2545  
E-Mail: ufa@alaska.net

February 17, 1998

The Honorable Gail Phillips  
Speaker of the House  
State of Alaska  
Juneau, AK 99801-1182

Dear Representative Phillips:

Today the Board of Directors of United Fishermen of Alaska (UFA) adopted a position in support of legislation you introduced, HB 373, relating to forests and forestry practices.

This bill is the achievement of industries, assisted by the Board of Forestry and state agency staff, working together to find common ground. The forest products industry and commercial fishing industry worked together to resolve their particular concerns with the proposals advanced by the Board of Forestry, and they were successful. The legislation, as introduced, is supported by United Fishermen of Alaska because it represents an improvement in the laws governing forest practices. It affords greater protection than now exists for sensitive fish habitat.

United Fishermen of Alaska's mission includes preserving fishery resources through research, development and habitat protection. We will continue to work with other industries, as we did in our work on the forest practices provisions embodied in HB 373, to pursue this important objective.

We hope that the members of the Legislature will acquaint themselves with the provisions of this legislation, the language of which was carefully crafted to meet concerns of commercial fishermen and representatives of the forest products industry, and we strongly support the passage of the legislation as introduced.

The commercial fishing industry is very appreciative of your work on this legislation. Thank you.

Sincerely

Jerry McCune  
United Fishermen of Alaska

#### MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Longline Fishermen's Association • Alaska Trollers Association • Bristol Bay Driftnetters Association • Concerned Area "M" Fishermen  
Cook Inlet Aquaculture Association • Cordova District Fishermen United • Kena Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association • Kodiak Sainers Association  
North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Northwest Seiners Association • Peninsula Marketing Association  
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owners Association • Seafood Producers Cooperative  
Southeast Alaska Sainers Association • Southern Southeast Regional Aquaculture Association • United Cook Inlet Drift Association • United Southeast Alaska Gillnetters

February 10, 1998

20th Alaska State Legislature  
State Capitol  
Juneau Alaska 99801-1182

**Sent Via-Facsimile to (907) 465-2698**

Dear Legislators:

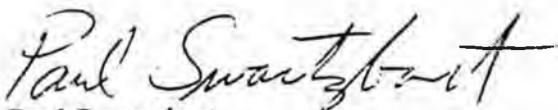
I support House Bill 373 relating to forest practices in the state of Alaska. This bill provides needed changes to the Forest Practices Act that both our state natural resource management agencies and our timber industry agree to.

This is a step forward for salmon habitat protection that will benefit sport and commercial fisherman, and the environmental community. This bill is the result of two years of consensus building and scientific inquiry by state and federal scientists meeting with members of private industry. We have come up with the most habitat protection for the least economic cost to private industry; it is a delicate balance. Any wording changes could have large consequences so I hope it will be considered "as is".

As the commercial fisherman on the Board of Forestry, I feel that salmon habitat protection is vital to the economic health of our state. Being a business person, I also understand how burdensome new regulations can be on an industry. This legislation was written by the timber industry and the resource agencies working together. It will help minimize the impact of logging operations on our salmon runs.

Thank You.

Sincerely,



Paul Swartzbart  
Alaska State Board of Forestry  
Commercial Fishing Seat

DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF FORESTRY

3601 C Street, Suite 1034  
Anchorage, Alaska 99503-5937

February 12, 1998

Representative Bill Hudson, co-chair  
Representative Scott Ogan, co-chair  
House Resources Committee  
State Capitol  
Juneau, Alaska 99801-1182

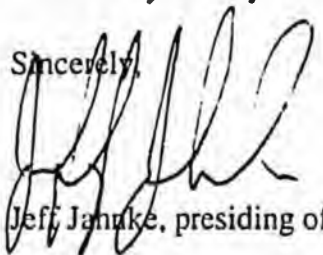
Dear Sirs,

The Board of Forestry would like to register its support for H.B. 373. This bill incorporates the results of two years of work developing an agreement on appropriate changes to the Forest Resources and Practices Act. The Board unanimously endorsed the proposals in the bill after considering the results of a scientific and technical review of the Act, and the recommendations from a drafting process that included representatives of affected interests.

This bill maintains the balance intended by the Act: It ensures adequate protection of fish habitat and water quality while continuing to support the timber and fishing industries. It is important that this bill go forward as proposed without substantive changes. The widespread support this bill has received is contingent on preserving the specific package of changes in the bill.

We are aware that the drafting process has resulted in some minor and non-substantial changes to the specific wording endorsed by the Board. We do not object to these changes. We also understand that the Attorney General's review of the bill has identified some minor wording changes to improve clarity and consistency within the bill. We endorse these changes (attached).

We thank you for your support of this important legislation.

Sincerely,  
  
Jeff Janke, presiding officer

For/cc: Board of Forestry Members Richard Carle, Lawrence Hartig, Bill Jeffress, Chris Maisch, Rick Smeriglio, John Sturgeon, Paul Swartzbart



**Koncor Forest Products Company**

3501 Denali, Suite 202  
Anchorage, Alaska 99503  
(907) 562-3335 FAX (907) 562-3591

February 12, 1998

Gail Phillips  
Speaker, Alaska House of Representatives  
State Capital  
Juneau, AK 99801-1182

Dear Gail:

Koncor participated in the development, and fully supports the passage, of HB 373 which modifies the Alaska Forest Resources & Practices Act. This bill represents a balance between economic considerations and protection of public resources such as water quality and fish habitat. The process used to draft the bill is a model for using scientific review, cost/benefit analysis, and consensus building of stakeholders. Passage of this bill is also important to ensure that our forestry laws are the best in the nation, and that these laws will constantly be reviewed and modified as new scientific information becomes available.

We urge the Legislature to pass HB 373.

Sincerely,

John Sturgeon  
President





February 11, 1998

The Honorable Gail Phillips  
Speaker of the House  
Alaska State Legislature  
M/S 3100  
Juneau, Alaska 99801-1182

Dear Representative Phillips:

This letter is to inform you of Sealaska Corporation's support for HB 373 titled an "Act Relating to Forest and Forestry Practices". This bill establishes supplemental environmental protection standards on private lands in Region 1 (hemlock, spruce forests of coastal Alaska) and adds a new stream type.

This Act evolved out of a two year process in which biological, environmental and economic issues associated with timber harvest and its interaction with fisheries habitat and water quality were evaluated. This stakeholder review identified opportunities to strengthen the fish habitat and water quality protection in Alaska's Forest Resources and Practices Act. Through this collaborative process the timber industry and land owners could see that the proposed changes will yield measurable, beneficial results to fish habitat and water quality. Conversely the timber industry was able to guide development of legislative changes to achieve protection objectives without unreasonable cost or burden on the industry or private landowners.

This letter is to inform you of Sealaska's endorsement of the process and support for the results that are embodied in the legislation currently before you. The State of Alaska already has one of the most comprehensive and effective Forest Practices Acts in the Nation. The proposed amendments will serve to strengthen that Act and still ensure a healthy timber industry.

We support the current legislation but understand that there are a few clarifying amendments recommended by the Attorney General's office.

These amendments do not change the intent of the legislation as recommended by the Board of Forestry. We support those amendments to the degree they do not alter the consensus objectives established by the Board.

We request your support of this legislation and recognize the carefully crafted compromise between the industry, fisherman and environmental community to develop an effective set of amendments. This collaboration has lead to an impressive working relationship and the results of those efforts should be honored by the legislature by passing the bill before you.

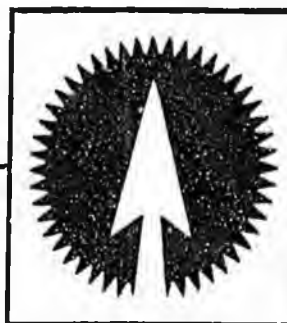
Sincerely,

SEALASKA CORPORATION

*Richard P. Harris/jh*

Richard P. Harris  
Senior Vice President  
Natural Resources

cc: House Resources Committee  
Senator Mike Miller  
Senate Resources Committee  
Sam Kito  
Senator Robin Taylor  
Senator Jim Duncan  
Senator Jerry Mackie  
Representative Bill Williams  
Representative Ben Grussendorf  
Representative Kim Elton  
Representative Bill Hudson  
Representative Albert Kookesh  
S.E. Village/Urban Corporation  
Jack Phelps, AFA  
AFA Technical Committee  
Thyes Shaub  
Jerry McCune



**Statement of Support**  
**House Bill 373**  
*An Act relating to forests and forestry practices*

Testimony before the House Resources Committee  
February 19, 1998

The Alaska Forest Association desires to be on record in full support of House Bill 373. "An Act relating to forests and forestry practices." This bill is the direct result of a proposal set before the Alaska Board of Forestry after a collaborative process involving the timber industry, the fishing industry and the resource agencies of the state. Both the process and the substance of this effort were based upon sound science and a balancing of interests.

Alaska already has a very effective, science-based forest practices law which ensures protection of important fisheries habitat while recognizing the unique relationship between private land rights and related public resources. The current law, which was developed through a cooperative process in 1989 and 1990, involves the Division of Forestry, the Division of Habitat and Restoration, and the Division of Air and Water Quality in monitoring and enforcing the provisions of the law. It enables timber operators in Alaska who conduct their harvest activities according to best management practices to have the assurance that they are operating in compliance with a variety of laws under which they would otherwise be individually scrutinized. That alternative would cost both the industry and the state more time and money than is necessary under the current system.

Current law also provides for ongoing examination of the effectiveness of Alaska's forest practices standards, so that the law and regulations can be adjusted to reflect new scientific knowledge as it is developed. Over the past two years, the timber industry has participated in a thorough review of the science relating to logging along anadromous fish streams in the coastal forests of Alaska. This review was conducted under the rubric of the Science and Technical Committee appointed by the Board of Forestry with the support of Governor Knowles. The Committee's report and the subsequent stakeholders' meeting led to the introduction of House Bill 373.

It is important to note that the Science & Technical Committee did not specifically recommend 66 foot buffers on type B streams as provided in Section 1 of the bill. The

committee recommended that these streams be given some means of obtaining large woody debris. AFA member companies looked at the operational issues and concluded that buffers of 66 feet or to the slope break would satisfy the goals of the recommendation in a way that field personnel believe can be implemented without severe adverse affects on harvest economics. It does mean surrendering trees of value by leaving them in riparian buffers, but the standard can be applied in the field and can be readily monitored by the regulators. AFA believes this is a good solution, the effects of which can be evaluated over time.

A matter of great importance to AFA is the fact that House Bill 373 is the result of a collaborative process. The agreement that makes these changes in the Act possible depends upon the substance of the bill remaining as it is now. The amendments proposed by the Attorney General's office, which are before the committee today, only provide consistency and clarification and are therefore acceptable. AFA would urge the committee not to entertain any other amendments so that the underlying agreement between affected parties can remain intact.

In summary, House Bill 373 addresses a real need, and represents a balanced approach to resolving an important issue affecting Alaska's forest products sector. When this bill becomes law, it will be a model for broad-based cooperation between affected industries, the agencies, the Governor's office and the legislature. This is a bill that can and should enjoy full, bi-partisan support. I urge its speedy passage.



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### Concerning work of the Science & Technical Committee

Testimony of Jack E. Phelps, Executive Director  
Offered to the Alaska Board of Forestry  
January 21, 1997

The Alaska Forest Association has closely observed the work of the Science and Technical Committee formed last year to examine allegations set forth in the report from the Department of Fish and Game, Habitat Division regarding the state's Forest Resources and Practices Act. Among other claims, the report stated that ADF&G staff are uniformly of the belief that the implementation of the FPA remains seriously deficient. The Science & Technical Committee was formed to investigate those allegations and to determine the extent to which the aforementioned belief could be substantiated by facts.

In short, the question was whether substantial harm was being done to fish and wildlife habitat as a direct result of timber harvests, particularly on private land. A closely related question which was not directly raised by the report but that begged an answer in the process, was whether any reduction in theoretical carrying capacity of any habitat was disproportionate to the benefit derived by the private landowners from managing their timber resources for their shareholders. This question is raised by the fairness doctrine and the no big hit doctrine of the Alaska Forest Resources and Practices Act.

Simply put, these doctrines declare that a balance must be struck between the values at stake when private land interests come in contact with public resource interests, in this case fisheries. The fairness doctrine insists that there be shared risks and incentives for both timber owners and the public, represented by the regulatory agencies. The no big hit doctrine requires that private landowners should not carry an inordinate economic burden for minimal losses to fish habitat. The law envisions a balance of interests between forestry and fisheries when it comes to timber harvests on private land.

After a year of meetings and careful examination of the evidence, the Science & Technical Committee's work suggests that the existing law protecting fish habitat is working very well. Many of the issues discussed by the committee had to do with technical definitions and minutia, not evidence of actual harm. The deliberations tended to verify that logging is having a very minor impact on fish habitat. Timber harvest on private lands, at the rate and under the regulatory conditions that now exist, is taking place without significant harm to Alaska's important fisheries resources.

To those of us in the industry who have worked to comply with the Forest Resources and Practices Act, and have made a sizable investment in fish habitat research over the past several years, this comes as no surprise. It is compatible with the tentative findings of our own ongoing scientific studies and of the research being done by others. A recent paper published in the journal of the American Fisheries Society shows that fewer than 5 percent of the anadromous fish spawning

aggregates in Southeast Alaska are in decline and some of those are in unlogged areas. Private landowners have willingly left millions of dollars worth of trees in riparian buffers over the past half decade, and those contributions are augmenting the health of Alaska's fisheries.

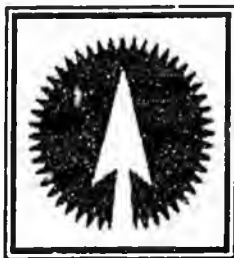
AFA commends the participants in the Science and Technical Committee for ensuring that the process of addressing the Habitat Division's report was conducted in a professional and scientific manner. On balance, the leadership of the committee was fair and diligent. Various participating parties were consistently given a fair hearing, and the committee was able to arrive at a satisfactory level of consensus. The Science and Technical Committee has done a good job of identifying and clarifying technical problems with monitoring and enforcement of the Act, and most of the recommended changes have the industry's support.

It was a good process, but it was an expensive one. It was costly for the state, and it was costly for industry. AFA member companies, one in particular, invested more than \$100,000 over the past year to enable professional and research staff to attend the meetings and study the ADF&G allegations. On the state side, the process demanded huge blocks of time from Division of Forestry and Department of Fish and Game personnel, taking staff away from field work. This is unfortunate and ironic, given the frequently stated complaint from Fish and Game that they lack the financial resources to do adequate field work.

The Alaska Forest Association is committed to supporting reasonable enforcement procedures for the Forest Resources and Practices Act. Industry has shown its willingness to work through the process, even at great expense, to ensure that other resources are not harmed by harvest activities. We hope that the exercise forced upon industry, the Board of Forestry and the other agencies last year by ADF&G's approach will not be repeated in the future. If one agency or another has questions or wishes to raise concerns about scientific or technical issues, those issues should be raised using established interagency procedures, and the discussion should take place in the context of scientific investigation before unnecessary alarm bells are rung with the press and the general public.

Thank you for the opportunity to testify on this important matter.

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Last Updated: 28 Mar 97

*Summary of Legislation Implementing the Recommendations of  
the Forest Practices' Science and Technical Committee*

Alaska's Forest Practices Act (the "FPA") was comprehensively amended in 1990 as a result of a two-year cooperative effort by government agencies, fishing and environmental groups, and the timber industry. An integral part of this consensus-based process was a commitment to periodically reappraise the FPA's effectiveness in protecting Alaska's streams.

As a result of that continuing review, legislation has now been prepared to implement two changes to the FPA that would:

- 1. extend the FPA's mandatory no-harvest riparian zones to additional streams;*
- and*
- 2. extend the width of scope stability standards on some streams.*
- 3. provide additional sources of large woody debris (or "LWD") for fish habitat.*

Both changes affect only the "coastal forest of spruce or hemlock" in DNR's "Region I." Forest practices in Regions II and III--basically, anything north of Mt. St. Elias--will continue to be governed by their own rules under the FPA, which, on private, restrict but do not prohibit timber harvest adjacent to streams.

Like the 1990 FPA itself, these changes reflect a broad-based consensus among forest stakeholders. The agreement arose out of an intensive study of the FPA conducted by a group of public and private sector scientists called the Science and Technical Committee (the "S/TC"). The S/TC found much to commend in the FPA, but also recommended two changes, both of which are mirrored in the proposed statutory language:

1. *Extending no-cut buffers to all anadromous streams.* The public and private scientists who collaborated on the 1990 FPA agreed that the need for no-cut buffer zones varied dramatically according to the characteristics of the stream. Even so, the 1990 legislation required 66-foot no-cut zones along most anadromous streams on private lands. These were so-called "Type A" waterbodies.

Another class of anadromous streams--those with rocky banks and bottoms--were subject to special bank stability requirements, though riparian timber harvest was allowed. These were the so-called "Type B" streams, and because their banks were held in place by rock, rather than vegetation, the scientists who worked on the 1990 legislation could not justify the considerable cost of requiring the retention of all timber adjacent to them.

The proposed legislation would reverse that decision, and require 66-foot no-cut buffers along all anadromous streams, irrespective of stream characteristics. This protection would extend both to all "Type B" streams, as well as a small subclass of anadromous streams that were originally not given a formal "type" designation.

In so doing, the proposed legislation assigns a "type" to all segments of an anadromous stream system. Anadromous streams themselves are labeled "A" or "B," while tributaries to anadromous streams are labeled "C" or "D" streams, depending on their steepness. All Types B and C streams would be subject to special stream bank stability rules.

This puts to rest the concern that some segments of an anadromous system were "unclassified" under the FPA.

2. *Requiring timber to be left along other streams in order to provide LWD.* LWD can be an important source of habitat for juvenile fish, and the 1990 FPA encouraged the retention of low-value trees as potential LWD sources even along streams where no formal buffer zone was required.

The proposed legislation goes much further in this respect. It *requires* the retention of low-value timber along certain tributaries to anadromous streams, when it is "prudent" to do so. LWD, of course, is of no direct value to these tributaries, because there are no anadromous fish in them. But, research has shown that certain tributaries--*i.e.*, those of sufficient width and steepness--can transport LWD downstream to the anadromous waterbody itself, and it is for these streams that retention is required.

The "prudence" limitation exists because it is sometimes dangerous to leave wood adjacent to steep tributaries, because the trees can become part of debris torrents. And also, some low-value trees can be damaged as part of the harvest of the more valuable timber that can still be taken along these tributaries. It was never the S/TC's intent to restrict the harvest of valuable, merchantable timber along these tributaries, and the "prudence" limitation assures that operators will still be able to harvest this timber.

## PUBLIC LANDS PROTECTION PROVIDED IN STATUTE:

### Sec. 41.17.118. Riparian standards for state land.

(a) The riparian standards for state land are as follows:

(1) on state forest land managed by the department that is located north of the Alaska Range, harvest of timber may not be undertaken within 100 feet immediately adjacent to an anadromous or high value resident fish water body unless the division determines that adequate protection remains for the fish habitat;

(2) on state forest land managed by the department that is located south of the Alaska Range,

(A) harvest of timber may not be undertaken within 100 feet immediately adjacent to an anadromous or high value resident fish water body;

(B) between 100 and 300 feet from the water body, timber harvest may occur but shall be consistent with the maintenance of important fish and wildlife habitat.

(b) The commissioner may impose additional riparian protection standards for timber harvest operations through the adoption of land use plans under AS 38.04.065 and under forest management plans and reports under AS 38.05.112 and AS 41.17.230.

(c) In the absence of a site-specific determination by the Department of Fish and Game, the commissioner shall presume for planning purposes that a stream is anadromous if it is connected to anadromous waters that are without Department of Fish and Game documentation of a physical blockage and has a stream gradient of 8 percent or less.

### Sec. 41.17.119. Minimum riparian standards for other public land.

On other public land, harvest of timber may not occur

(1) within 100 feet from the shore or bank of an anadromous or high value resident fish water body that is located south of the Alaska Range;

(2) within 100 feet immediately adjacent to an anadromous or high value resident fish water body north of the Alaska Range unless the commissioner determines that adequate protection remains for the fish habitat.

### Sec. 41.17.950. Definitions.

In this chapter, unless the context otherwise requires . . . .

(11) "other public land" means state land managed by state agencies other than the department, land owned by a municipality, and land owned by the University of Alaska;

## DESIGNATION OF REGION I

### ARTICLE 07 GENERAL PROVISIONS

#### 11 AAC 95.800

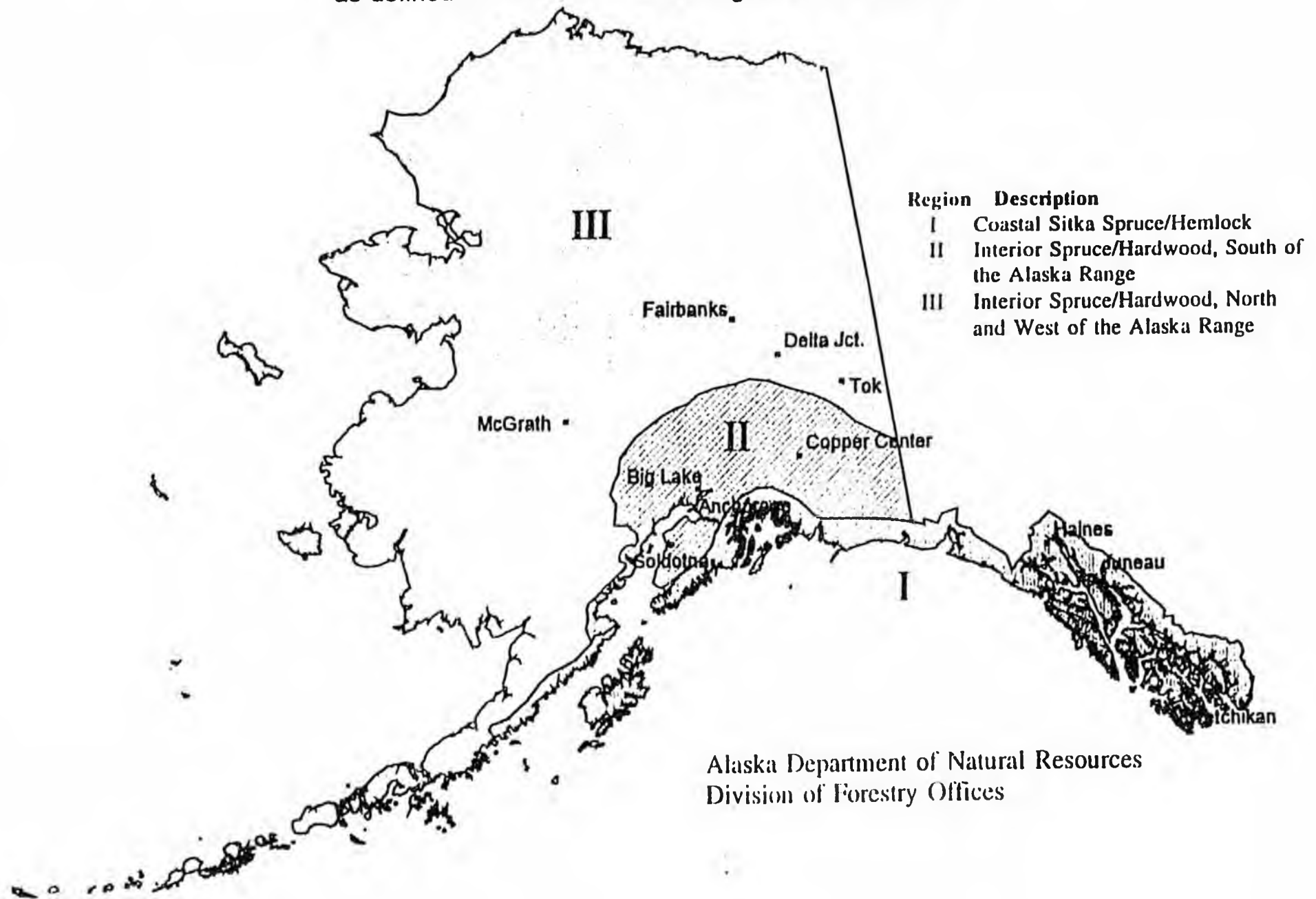
#### DESIGNATION OF REGIONS.

For the purposes of this chapter; the forest land of the state is divided into three regions as follows:

(1) Region I (Coastal Sitka Spruce/Hemlock Region). Region I, the coastal forest, is comprised primarily of Sitka spruce, western hemlock, mountain hemlock, Alaska cedar, red alder, black cottonwood, western red cedar, and lodgepole pine. Region I consists of the land within the following area: beginning at Tongass, Alaska and then in a northwesterly direction along the United States-Canada border to Mt. St. Elias; then westerly along the crest of the Chugach Mountains to Portage; then continuing southwesterly through Moose Pass, to the north end of the Harding Ice Field; then to the mouth of Fox River; then southwesterly out of Kachemak Bay to Mt. Douglas; then along the divide of the Aleutian Range to Aniakchak Crater; then to Cape Kumliun; then easterly to Cape Sitkinak; then in a northeasterly direction to Cape Suckling; then along the coastline in a southeasterly direction to Cape Spencer; then along the coastline in a southeasterly direction along the outer coasts of southeastern Alaska including all the islands of the Alexander Archipelago to Cape Muzon; then in an easterly direction through Dixon Entrance to Tongass, the point of beginning;

# Alaska Forest Resources & Practices Regions

as defined in 11 AAC 95.800 Designation of Regions



Alaska Department of Natural Resources  
Division of Forestry Offices

**HB**

**380**

# ALASKA STATE LEGISLATURE



*Session:*

State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-3779 - Phone  
(907) 465-2833 - Fax

*Interim:*

145 Main St. Loop Suite 221  
Kenai, Alaska 99611  
(907) 283-7223 - Phone  
(907) 283-3075 - Fax

**REPRESENTATIVE MARK D. HODGINS**  
**House District 9**

**SPONSOR STATEMENT**  
**HB 380**

**Reduce Royalty on Cook Inlet Oil & Gas**

The intent of House Bill 380 is to encourage the development of gas reserves within the Cook Inlet sedimentary basin. New gas reserves developed as a result of the proposed legislation could be instrumental in maintaining reliable and economically priced gas supplies for South-central consumers, including residential and commercial users.

In addition to stimulating the development of several known undeveloped fields, many of which were discovered more than 30 years ago, House Bill 380 has the potential to leverage additional exploration and development in the vicinity of new infrastructure, including pipelines and associated facilities, required to develop those known fields. Any new oil and gas production resulting from the development of these fields will in turn reduce the average cost of producing existing reserves, and extend the economic life of both existing and new Cook Inlet production and transportation infrastructure.

Under the terms of the proposed legislation, lessees owning leases overlying previously discovered oil or gas fields in the Cook Inlet basin which have remained undeveloped or shut-in from at least January 1, 1988 through December 31, 1997, would have an incentive to develop those fields as rapidly as possible. The legislation would provide that, for oil and gas produced from undeveloped or shut-in fields brought into production before January 1, 2004, lessees would pay a reduced royalty of five percent, instead of the 12 1/2 percent specified in the lease, for a period of 10 years following the date on which oil or gas production begins.

By establishing a short period of eligibility—ending on December 31, 2003 – House Bill 380 ensures that lessees diligently pursue development or forfeit the opportunity to pay reduced royalties. By limiting the period of reduced royalty payments from qualifying fields to 10 years following the beginning of production, the legislation provides a reasonable and measurable limit to the state's foregone royalties in exchange for oil and gas production that may otherwise not occur. The state's royalties from currently producing Cook Inlet oil and gas fields will not be effected by House Bill 380.

By encouraging the development of existing uneconomic oil and gas fields, House Bill 380 will benefit the state and local economies through taxation and royalties, encourage future development of new oil & gas discoveries by lowering the costs of industry infrastructure, as well as taking care of job #1 - providing jobs for Alaskans.

# ALASKA STATE LEGISLATURE



*Session:*

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**REPRESENTATIVE MARK D. HODGINS**  
House District 9

**HB 380**

- Since it's introduction, HB 380 has been amended to protect the state's interest by imposing caps on oil & gas production from each field to which reduced royalty may apply - 25 million barrels of oil and 35 billion cubic feet of gas. There were no limits in the original bill.
- All of the oil & gas fields, which will qualify for a royalty reduction, were discovered more than 30 years ago and have remained undeveloped due to poor economics. HB 380 encourages the expedited development of the qualified oil & gas fields, by providing a short window of opportunity to begin production. Production must begin before January 1, 2004 to qualify for the royalty reduction.
- The State of Alaska will receive a five- percent royalty on oil & gas production, which may not otherwise occur. Considering both the history of the fields involved and the approaching abandonment of Cook Inlet production and transportation infrastructure needed to continue the areas production.
- In addition to stimulating new production from these old fields - from which the state is receiving NO royalties - HB 380 has the potential to leverage additional exploration and development in the vicinity of the new infrastructure. This could result in additional revenues to the state through added royalties and taxes.
- New jobs, new oil and gas reserves, lower production costs, new sources of severance and property taxes to maintain public services - HB 380 has the potential to provide all of these benefits from the development of old fields which have set idle for more than 30 years and have yet to produce any meaningful revenues to the state.

# SENATE COMMITTEE REPORT

DATE: 4/8/98

FURTHER: Finance

DATE TURNED IN TO OFFICE: 4/16/98

Resources Committee considered CS FOR HOUSE BILL NO. 380(FIN)(title am)  
 REDUCE ROYALTY ON COOK INLET OIL & GAS

and recommends:

- be replaced with S CS HB 380 (RES)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

SIGNING DP/PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>John Ingram</i>	✓	<i>Dominic Lincoln</i>			✓
<i>Frank A. Roman</i>	✓	<i>Bob [unclear]</i>	✓		
		<i>Dylan [unclear]</i>	✓		
<b>CHAIR:</b> <i>Rick Halford</i>	✓	<b>CHAIR:</b>			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal
<i>DNR</i>	<i>4/16</i>		<i>**</i>

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# FISCAL NOTE

**STATE OF ALASKA**  
**1998 LEGISLATIVE SESSION**

**BILL NO. SCSCSHB380(RES)**

Revision Date: 16-Apr-98 Dept Affected: Natural Resources  
 Title: An Act relating to a temporary reduction of BRU: Resource Development  
royalty on oil and gas produced ... from ... Cook Inlet ... Component: Oil & Gas Development  
 Sponsor: Rep. Hodgins  
 Requestor: S (RES) Component Serial No. #439

Expenditures/Revenues (Thousands of Dollars)

	FY99	FY00	FY01	FY02	FY03	FY04
<b>OPERATING EXPENDITURES</b>						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES (fund code)</b>	<b>0.0</b>	<b>0.0 ?</b>	<b>? ?</b>	<b>? ?</b>	<b>? ?</b>	<b>? ?</b>

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY98) cost: \$ none

**POSITIONS**

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

**ANALYSIS:**

(Attach a separate page if necessary)

It is impossible to quantify the effect of this bill since no economic analysis has been performed. Using the 25MMBBL "cap" the attached spreadsheet shows the effect of this bill on state revenues and the Permanent Fund. This is for oil only.

The known gas reserves in the four fields comes to about 47 BCF. Using that number and a price of \$1.50/mcf the effect on the treasury would be approximately \$5 million (i.e. the State would receive about \$5 million less in royalties).

47 bcf = 47,000 mmcf. 47,000 mmcf @ \$1.50 mcf = \$70,500,000

\$70,500,000 x (.125 - .05) = \$5,287,500

Prepared by: Ken Boyd, Director Phone: 269-8800  
 Division: Oil & Gas Date: 16-Apr-98  
 Approved by Commissioner: *Paula Cannon* Date: 4/16/98  
 Agency: Natural Resources

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

Attachment to fiscal note CSHB380(FIN)(Title am)

	Barrels	Royalty Barrels	Ten Dollar	Eleven Dollar	Twelve Dollar	Fifteen Dollar	Twenty Dollar	
At 12.5%	25,000,000	3,125,000	\$31,250,000	\$34,375,000	\$37,500,000	\$46,875,000	\$62,500,000	
At 5.0%	25,000,000	1,250,000	\$12,500,000	\$13,750,000	\$15,000,000	\$18,750,000	\$25,000,000	
			Forgiven Royalty (one field)	\$18,750,000	\$20,625,000	\$22,500,000	\$28,125,000	\$37,500,000
			Perm Fund (50% - one field)	\$9,375,000	\$10,312,500	\$11,250,000	\$14,062,500	\$18,750,000
			Forgiven Royalty (two fields)	\$37,500,000	\$41,250,000	\$45,000,000	\$56,250,000	\$75,000,000
			Perm Fund (50% - two fields)	\$18,750,000	\$20,625,000	\$22,500,000	\$28,125,000	\$37,500,000

# FISCAL NOTE

**STATE OF ALASKA**  
**1998 LEGISLATIVE SESSION**

**BILL NO. CSHB380(FIN)(Title am)**

Revision Date: 14-Apr-98 Dept Affected: Natural Resources  
 Title: An Act relating to a temporary reduction of BRU: Resource Development  
royalty on oil and gas produced ... from ... Cook Inlet ... Component: Oil & Gas Development  
 Sponsor: Rep. Hodgins  
 Requestor: (S)RES Component Serial No. #430

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CHANGE IN REVENUES (fund code)</b>	0.0	0.0 ?	?	?	?	?

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: \$ none

**POSITIONS**

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

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

It is impossible to quantify the effect of this bill since no economic analysis has been performed. Using the 25MMBBL "cap" the attached spreadsheet shows the effect of this bill on state revenues and the Permanent Fund. This is for oil only.

The known gas reserves in the four fields comes to about 47 BCF. Using that number and a price of \$1.50/mcf the effect on the treasury would be approximately \$5 million (i.e. the State would receive about \$5 million less in royalties).  
 47 bcf = 47,000 mmcf. 47,000 mmcf @ \$1.50 mcf = \$70,500,000  
 \$70,500,000 x (.125 - .05) = \$5,287,500

Prepared by: Ken Boyd, Director Phone: 269-8800  
 Division: Oil & Gas Date: 14-Apr-98  
 Approved by Commissioner: \_\_\_\_\_ Date: 4-14-98  
 Agency: Natural Resources

**PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE**  
 For further distribution information call the Governor's Legislative Office

Attachment to fiscal note CSHB380(FIN)(Title am)

	Barrels	Royalty Barrels	Ten Dollar	Eleven Dollar	Twelve Dollar	Fifteen Dollar	Twenty Dollar	
At 12.5%	25,000,000	3,125,000	\$31,250,000	\$34,375,000	\$37,500,000	\$46,875,000	\$62,500,000	
At 5.0%	25,000,000	1,250,000	\$12,500,000	\$13,750,000	\$15,000,000	\$18,750,000	\$25,000,000	
			Forgiven Royalty (one field)	\$18,750,000	\$20,625,000	\$22,500,000	\$28,125,000	\$37,500,000
			Perm Fund (50% - one field)	\$9,375,000	\$10,312,500	\$11,250,000	\$14,062,500	\$18,750,000
			Forgiven Royalty (two fields)	\$37,500,000	\$41,250,000	\$45,000,000	\$56,250,000	\$75,000,000
			Perm Fund (50% - two fields)	\$18,750,000	\$20,625,000	\$22,500,000	\$28,125,000	\$37,500,000

0-LS1503\R  
Glover  
4/20/98

SENATE CS FOR CS FOR HOUSE BILL NO. 380( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTIETH LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES HODGINS, Kohring, Rokeberg

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a temporary reduction of royalty on oil and gas produced  
2 for sale from certain fields described as being located within the Cook Inlet  
3 sedimentary basin, as having been discovered before January 1, 1988, and as  
4 having been undeveloped or shut in from at least January 1, 1988, through  
5 December 31, 1997."

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

7 \* Section 1. AS 31.05.030 is amended by adding a new subsection to read:

8 (i) The commission shall accept written plans submitted by lessees for  
9 purposes of AS 38.05.180(f)(5). If a lessee submits a plan, the commission shall hold  
10 a public hearing on the plan and, within 45 days after receipt of the plan, grant  
11 approval of the plan if the plan contains a voluntary agreement by the lessee to use its  
12 best efforts to employ residents of this state, consistent with law, and to contract with  
13 firms in this state for work in connection with the development of the field, including

1 the fabrication and installation of required facilities, whenever feasible. The decision  
2 of the commission to grant approval may not be appealed.

3 \* Sec. 2. AS 38.05.180(f) is amended by adding a new paragraph to read:

4 (5) notwithstanding and in lieu of a requirement in the leasing method  
5 chosen of a minimum fixed royalty share, or the royalty provision of a lease, for leases  
6 unitized as described in (p) of this section, leases subject to an agreement described  
7 in (s) or (t) of this section, or interests unitized under AS 31.05, the lessee of all or  
8 part of an oil or gas field identified in this section that has been granted approval of  
9 a written plan submitted to the Alaska Oil and Gas Conservation Commission under  
10 AS 31.05.030(i) shall, subject to (dd) of this section, pay a royalty of five percent on  
11 the first 25,000,000 barrels of oil and the first 35,000,000,000 cubic feet of gas  
12 produced for sale from that field that occurs in the 10 years following the date on  
13 which the production for sale commences; the fields eligible for royalty reduction  
14 under this paragraph, all of which are located within the Cook Inlet sedimentary basin,  
15 were discovered before January 1, 1988, and have been undeveloped or shut in from  
16 at least January 1, 1988, through December 31, 1997, are

17 (A) Falls Creek;

18 (B) Nicolai Creek;

19 (C) North Fork;

20 (D) Point Starichkof;

21 (E) Redoubt Shoal; and

22 (F) West Foreland.

23 \* Sec. 3. AS 38.05.180 is amended by adding a new subsection to read:

24 (dd) A lessee is eligible for the royalty in (f)(5) of this section only if  
25 production of oil or gas for sale begins from the eligible field before January 1, 2004.  
26 However, if the state or an agency of the state is a party to a suit, other than a suit  
27 brought by the lessee or agent of the lessee, and if the suit challenges (f)(5) of this  
28 section or AS 31.05.030(i) or an act under (f)(5) of this section or AS 31.05.030(i), the  
29 January 1, 2004, deadline is extended by the number of days the state or agency of the  
30 state is a party to the suit, including any appeals.

0-LS1503VIA.6  
Glover  
4/15/98

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR HALFORD

TO: CSHB 380(FIN)(title am)

1 Page 2, line 3, following "commences;":

2       Insert "a lessee that has not been granted approval of a production plan by the Alaska  
3 Royalty Oil and Gas Development Advisory Board under AS 38.06.040(a)(5) before the date  
4 production for sale commences from the field described by the plan is ineligible for the  
5 royalty reduction described in this paragraph on oil or gas produced from the field; subject  
6 to the approval of a plan by the board under AS 38.06.040(a)(5)."

7 Page 2, following line 12:

8       Insert a new bill section to read:

9       "\* Sec. 2. AS 38.06.040(a) is amended to read:

10               (a) The board shall

11                       (1) in accordance with the criteria set out in AS 38.06.070, develop  
12 a plan for the wise development of the state's oil and gas royalty interests; the plan  
13 of development shall be consistent with

14                               (A) growth of the private sector of the economy;

15                               (B) environmental standards required by law; and

16                               (C) public fiscal stability;

17                       (2) hold public hearings on proposed sales, exchanges, or other  
18 disposals of royalty oil or gas to determine whether the proposals comply with  
19 AS 38.06.070;

20                       (3) examine proposed sales, exchanges, or other disposal of, and  
21 recommend to the legislature that it approve or disapprove a proposed sale, exchange,  
22 or other disposal of

23                               (A) the oil or gas that is obtained by the state as royalty under  
24 AS 38.05.182; or

0-LS1503\HA.6

1 (B) the rights to receive future oil or gas production under state  
2 leases; [AND]

3 (4) recommend to the commissioner of natural resources the conditions  
4 relating to the sale, delivery, transportation, refining, or processing of oil or gas which  
5 the commissioner may include in the offer and sale of oil or gas obtained by the state  
6 as royalty under AS 38.05.182; and

7 (5) grant approval within 45 days after receipt of a production  
8 plan for production for sale of oil or gas from a field described in  
9 AS 38.05.180(f)(5) if the plan includes provisions for the lessee to use all  
10 reasonable efforts to obtain from a manufacturer in this state the reasonably  
11 necessary materials for the construction of facilities used to produce oil or gas  
12 from that field; in determining whether a lessee has used all reasonable efforts  
13 in this paragraph, the board shall consider

14 (A) the relative cost of materials in proportion to the  
15 benefits to manufacturers in this state; and

16 (B) the health, safety, and environmental conditions and  
17 requirements to ensure maintenance of the lessee's operational standards."

Alaska Support Industry  
**ALLIANCE**  
4220 'B' Street, Suite 200  
Anchorage, AK 99503  
Phone 907 563 2226  
Fax 907 561 8870



# THE ALLIANCE

... for responsible development of Alaska's Oil, Gas & Mineral Resources

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### GENERAL MANAGER

Karen Cowart

March 31, 1998

Members of the Alaska State Legislature  
State Capitol  
Juneau, AK 99811

RE: *HB 380 - An act relating to a temporary reduction of royalty on oil and gas produced for sale from fields within the Cook Inlet sedimentary basin where production is commenced in fields that have been discovered and undeveloped or that have been shut in*

Dear Representatives and Senators:

For two decades, The Alliance has served as a statewide trade organization for Alaska's support industry. Today, The Alliance represents over 300 businesses that provide products and services to the oil and gas industry. We are oilfield service companies, transportation enterprises, wholesale and retail businesses, professional firms and private citizens. Collectively, we employ over 25,000 people in Alaska, 23,000 of which are permanent Alaska residents.

While our members' livelihood is directly linked to oil and gas activity, the truth is that every trade, business and citizen in Alaska relies on a healthy petroleum industry, now and well into the future. For this reason, we strongly advocate legislation and government policy that encourages responsible oil and gas exploration, development and production.

Those of us with the Alliance have watched production from the Cook Inlet fields decline consistently since 1970 (when production was almost 83 million barrels per year) to current levels, which jeopardize the continued operation of several Cook Inlet platforms. In fact, most of the Cook Inlet oil fields currently in production are over 90 percent depleted, and it is inevitable that we will see a decline in gas production in the near future.

Therefore, The Alliance supports the Legislature's efforts to pass legislation, such as House Bill 380 - An act relating to a temporary reduction of royalty on oil and gas produced for sale from fields within the Cook Inlet sedimentary basin where production is commenced in fields that have been discovered and undeveloped or that have been shut in. We believe the bill's tax holiday incentives could provide the catalyst to develop smaller fields currently left dormant due to economic conditions.

HB 380 was passed from the House Finance Committee on March 28, 1998, and will be forwarded to the House floor for a vote on final passage later this week. We believe passage this session is important. Under the terms of the proposed legislation, owners of leases with previously discovered fields that have been undeveloped or shut in between January 1, 1988 to December 31, 1997, would have an incentive to bring those fields into production as rapidly as possible. The legislation would provide for a reduced royalty of 5% (as opposed to 12-1/2 %) for the first 25 million barrels of oil and the first 35 billion cubic feet of gas that is brought into production before January 1, 2004. Royalty relief would be afforded for up to 10 years.

By establishing a short period of eligibility, ending on December 31, 2003, HB 380 effectively ensures that lessees diligently pursue development or forfeit the opportunity to pay reduced royalties. By limiting the period of reduced royalty payments from qualifying fields to 10 years following the beginning of production, the legislation provides a reasonable and measurable limit to the state's forgone royalties in exchange for oil and gas production that may otherwise not occur. The state's royalties from currently producing Cook Inlet oil and gas fields are not effected by HB 380.

We know that oil and gas development is ultimately driven by demand, which is beyond the control of state government and private industry. Nonetheless, it is important to address those factors that are within our control. As the market evolves and ripens, incentives such as those presented in House Bill 380 will help ensure that Alaska is in a much better position to attract and keep major resource investors.

Thank you for your continued support of the oil and gas industry.

Sincerely,



Karen Cowart  
General Manager

# Forcenergy Inc

---



March 30, 1998

Mr. John Shively  
Commissioner  
Department of Natural Resources  
3601 C Street, Suite 1210  
Anchorage, Alaska 99503  
Fax: (907) 562-4871

Dear Commissioner:

The purpose of this note to you is to both eliminate any misunderstandings that may have surfaced during the House Finance Committee hearing on CS11B380 this past Saturday, and to extend an offer to supply the State with data that would help the Department of Natural Resources in their evaluation of activities taking place in the Cook Inlet in general.

As you know, I was alarmed to hear from Ken Boyd that Forcenergy had an obligation to supply data and a report concerning the 3-D seismic program that was conducted on behalf of Forcenergy last summer, as part of our obligations under the Redoubt Unit Agreement, to his office by March 31, 1998. Immediately following the hearing, I reviewed the agreement to see if our company had inadvertently missed some detail in the requirements. I was relieved to find out that Forcenergy's sole obligation, related to the 3-D seismic data; was to conduct the survey, process the data, and proceed with interpretation. Initial processing was completed on schedule and we are presently refining the processing and doing initial interpretation. We can not find any obligation to the State that we have to meet by March 31<sup>st</sup>.

I also feel that the reputation of my company was damaged by the exchange between Ken Boyd and the members of the House Finance Committee which implied that we were withholding data until the last minute purposefully. Separate from our support of the incentive legislation that is being considered, it is critical to me that Forcenergy has a credible reputation in all our activities here in Alaska. It is for that reason that I believe it is important to clarify the record in these matters.

---

#### HEADQUARTERS

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2730 SW 3rd Avenue  
Suite 800  
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TELEPHONE  
305/856-8500  
FAX  
305/856-4300

#### REGIONAL OFFICE

310 K Street  
Suite 700  
Anchorage, Alaska 99501

TELEPHONE  
907/258-8600  
FAX  
907/258-8601

It is our understanding the Department of Natural Resources has the authority to request data from permittees under the terms of geophysical permits issued by the department. Northern Geophysical of America worked for Forcenergy and other operating companies under their permit, and continues to do so at this time. On Sunday I spoke with Jeff Hastings, Northern Geophysical's Vice President for Alaska Operations, who confirmed that he is unaware of any obligation on Forcenergy's behalf to provide data to the division by March 31, 1998; and that, to date, he has not been requested by the division to provide copies of the 3-D data.

In the spirit of cooperation with the State, Forcenergy would be willing to have DNR come to our office and review the initial interpretation of the Redoubt Shoal area; and, of course, we are prepared to provide copies of all data to which the state is entitled under its regulation once the division identifies the data it desires to receive. The main reason for obtaining the 3-D seismic survey over Redoubt was to explain past dry holes and to pick potential locations for exploratory wells. These maps do not verify reserve numbers and are not designed to do so. We are confident that your people will see the logic of the project application to set an exploratory drilling platform and drill up to four wells to confirm the commerciality of this project.

As I mentioned to you and Ken after the hearing, we will be at a decision point in May to proceed with exploratory drilling or to relinquish the leases. I anticipate the cost will be substantial to drill the first exploratory well. If we proceed, our next decision point would come after drilling exploratory wells. The decision at that point will be to proceed with development or again, to relinquish the leases.

In addition, I hope that during our conversation, I was able to clarify any misconceptions that the department may have concerning the 3<sup>rd</sup> party evaluation of proven reserves to date at Redoubt. In order to develop a field like Redoubt Shoal, it will take several times that amount to justify development.

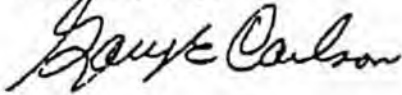
Also, I mentioned my concern that the administration was considering this a Forcenergy/Redoubt Shoal Bill. That, of course, is not the case; and I hope this bill will have the desired effects of incentive-precipitated activity on the other fields. The fact that companies like Forcenergy, Arco, Unocal, and Anadarko have committed some leasing funds to position themselves for future development in the Point Starichkof area does not mean that the real substantial capital needed to move forward will be committed. I have enclosed a copy of Table 3 from the Redoubt Unit Application that describes the number of times some of these leases have been dropped without any substantial development activity.

Mr. John Shively, Commissioner  
March 30, 1998

Page 3

John, I want to reaffirm our support of this Bill and I hope that after additional review of the potential benefits to the State, you and Ken Boyd can support it also.

Yours very truly,



Gary E. Carlson, Vice President

Attachment

cc: Representative Gail Phillips  
Speaker of the House

Representative Gene Therriault  
Co-Chair, House Finance Committee

Representative Mark Hanley  
Co-Chair, House Finance Committee

Members of the House Finance Committee

Representative Mark Hodgins  
Chair, House Oil & Gas Committee

Ken Boyd  
Director, Division of Oil & Gas

TABLE 3

PRIOR LEASING ACTIVITY AFFECTING ALL OR  
PORTIONS OF THE REDOUBT LEASES  
(1963—1993)

<u>Lease ADL No.</u>	<u>Competitive Sales In Which Leased Previously *</u>	<u>Sale Date</u>	<u>Status</u>	<u>Date</u>
378114	Sale 12	12/11/63	Terminated	11/01/70
	Sale 26	12/11/72	Expired	04/23/87
	Sale 33	05/13/81	Expired	06/30/88
	Sale 40	09/28/83	Expired	11/30/90
	Sale 74	09/24/91	Active	12/01/91
374002	Sale 15	09/28/65	Expired	12/01/75
	Sale 20	07/25/67	Expired	09/30/77
	Sale 33	05/13/81	Expired	06/30/88
	Sale 67A-W	01/29/91	Active	04/01/91
381203	Sale 12	12/11/63	Terminated	11/01/70
	Sale 26	12/11/72	Expired	02/28/83
	Sale 46A	02/26/85	Expired	04/30/92
	Sale 76	01/26/93	Active	12/01/94
381003 **	Sale 20	07/25/67	Terminated	10/01/73
	Sale 33	05/13/81	Expired	06/30/88
	Sale 67A-W	01/26/93	Active	12/01/94
381201	Sale 20	07/25/67	Expired	07/31/77
	Sale 35	02/02/82	Terminated	04/01/91
	Sale 76	01/26/93	Active	12/01/94

\* The configuration of the previously leased areas changed over time, depending upon the land status prior to each succeeding sale in which then available acreage was offered.

\*\* In addition to the previous sales in which portions or all of the acreage currently contained in ADL 381003 was leased, acreage was also offered for lease in Sale 67A (January 29, 1991), but no bids were received.

Source: Lease Administration System records, Alaska Department of Natural Resources, Division of Oil and Gas, February 20, 1997.

**OWNERSHIP OF SHUT-IN AND UNDEVELOPED  
COOK INLET OIL AND GAS FIELDS  
IDENTIFIED AS POTENTIALLY QUALIFYING  
FOR TEMPORARY ROYALTY REDUCTION  
UNDER THE PROVISIONS OF  
SENATE BILL 256 / HOUSE BILL 380**

<u>Field</u>	<u>Type</u>	<u>Discovered</u>	<u>Affected Lessees *</u>
Falls Creek	Gas	1961	ARCO Alaska (50%); Cliff Burglin (22%); Other Private Individuals (28%)
Nicolai Creek	Gas	1966	UNOCAL (50%); Marathon (50%)
North Fork	Gas	1965	Gas-Pro Alaska (64.721%); ARCO Alaska (27.375%); and Marathon (7.904%)
Pt. Starichkof	Oil	1967	Mobil (25%); Pennzoil (25%); Placid (16.07143%); Rosewood Resources (4.726890%); Hunt Petroleum Corp. (4.201680); and Forcenergy Inc (25%)
Redoubt Shoal	Oil	1968	Forcenergy Inc (70%); UNOCAL(30%) **
West Foreland	Gas	1962	Forcenergy Inc (100%) ***

\* For those fields which are within approved units—Falls Creek, Nicolai Creek, North Fork and Redoubt Shoal fields—includes both the identity of the Working Interest Owners (WIOs) and their respective ownership interests in the State of Alaska leases within the unit. For Pt. Starichkof Field, which is not unitized, WIOs and ownership interest percentages noted are for the lease upon which the discovery well was drilled. Additional delineation drilling in all fields may confirm reserves extending beneath adjacent leases. Accordingly, lessees in addition to those noted above may potentially be affected by expedited delineation and production of these fields.

\*\* Forcenergy Inc currently holds 100% Working Interest in the Redoubt Unit. However, under the terms of an agreement between the companies, UNOCAL has the option, which it is expected to exercise, to acquire a 30% Working Interest in the unit.

\*\*\* The discovery well for the West Foreland Field is located onshore on a federal lease held by Phillips Petroleum Company. However, there is evidence to suggest that the gas accumulation confirmed by the discovery well may extend offshore onto one or more leases owned by Forcenergy Inc.

**COOK INLET, ALASKA  
OIL & GAS  
DEVELOPMENT**



MAPMAKERS  
ALASKA  
Palmer, AK

Houston

Palmer

Parks Hwy  
Wasilla

Kenai

LEWIS RIVER  
Unocal

PRETTY CREEK  
Unocal

STUMP LAKE  
Unocal

BELUGA RIVER  
Aico

IVAN RIVER  
Unocal

MATANUSKA-SUTHA REGION  
FIRE IS.

ANY ROYALTY

MOQUAWKIE

N. COOK INLET  
Phillips

NIKOLAI Cir.  
Unocal

GRANITE POINT  
Unocal

McARTHUR RIV  
Unocal

N. TRADING BAY  
Unocal

TRADING BAY  
Unocal

N. MIDDLE GROUND  
SHOAL  
Unocal

BIRCH HILL  
ARCO

MIDDLE GROUND  
SHOAL - Shell

SWANSON RIVER  
Unocal

S. MIDDLE GROUND  
SHOAL  
Unocal

SOLDOTNA CREEK  
Unocal

BEAVER CREEK  
Marathon

STERLING  
Marathon

WEST FORK  
CIRI

Redoubt  
Shoal

REDoubt  
Energy

KALGIN  
ISLAND

Kenai  
CANNERY LOOP  
Marathon

Kenai  
Marathon

Soldotna

*Kenai  
Peninsula*

COOK

Clam Gulch

FALLS CREEK

CHISIK IS.

Nimilchik

Anchor Co.

Homer

Kachemak Bay

**LEGEND**

- Oil and Gas Leases
- Offshore Platform
- Oil Field
- Gas Field
- Oil and/or Gas Unit
- Oil Pipelines
- Gas Pipelines
- Seismicity Prospect for Royalty Reduction

1/90

# OILWATCH ALASKA

PO Box 101553 Anchorage, AK 99510 © © Ph: 907-277-8910 Email: oilwatch@alaska.net

April 15, 1998

Chairman Holford and Members of the Senate Resources Committee  
State Capitol  
Juneau, AK 99801

Dear Members of the Senate Resources Committee,

I ask you today to **kill HB380** and the companion SB256 which reduces Cook Inlet oil and gas royalties. Proponents of this bill have offered no firm evidence that a royalty reduction is needed or even desirable. On the contrary, the Division of Oil and Gas has offered plenty of evidence that similarly situated fields in Cook Inlet are developing very energetically at present royalty rates. Additional reasons to oppose the 60% oil and gas royalty reduction for six specific Cook Inlet fields include:

- There is no evaluation that oil companies need or deserve a break—increased profit potential for is for oil companies and revenues for the Federal government at the State's expense. The state could lose \$14 million to \$27 million dollars which would affect the Permanent Fund and General Operating Fund.
- Other similar Cook Inlet fields are increasing their activity without any special breaks. It would be surprising if other similarly situated fields didn't ask for similar handouts and/or threaten litigation.
- Costs for recovering oil and gas have come down so dramatically that there is no reason to give such an enormous break. 3-D seismic costs are less than half from 4 years ago.
- Prudent business and policy practice should take back nonperforming wells and then put them out for competitive bid, (which has been done in the past), instead of creating an incentive where none is needed.
- HB380 is contrary to our current laws which require an evaluation of economic need for royalty breaks, that the Alaska's upside revenue potential be protected, and that Alaska citizens be allowed to participate in a very thorough public process. [HB207 amendments]
- HB380 does **not** create any additional jobs or provide additional taxes and it unnecessarily gives away royalties on our valuable resources. Our constitution requires that we get maximum benefit from our resources, not minimum or no benefit.

Please vote against HB 380, it is not in the best interests of Alaskans. Thank you for opposing this bill.



Jim Sykes, Executive Director

**HB**

**392**

# SENATE COMMITTEE REPORT

DATE: 3/27/98

FURTHER:

DATE TURNED  
IN TO OFFICE:

4/18/98

Resources Committee considered CS FOR HOUSE BILL NO. 392(L&C) am

REPORTS: FISH TAX & SALMON PRODUCTS

and recommends:

- be replaced with S CS HB 392 ( RES )
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ ( \_\_\_\_\_ )
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Wigley Taylor</i>		<i>Bob King</i>	✓		
<i>John Johnson</i>		<i>Dylan Price</i>	✓		
<i>Loren S. Jensen</i>	✓				
CHAIR:		CHAIR: <i>Rick Halvord</i>	✓		

**NEW FISCAL NOTE(S):**

Department                      Date      Zero      Fiscal


**PREVIOUS FISCAL NOTE(S):\***

Department                      Date      Zero      Fiscal

REVENUE	4/3	x	
DEC	4/3	x	

} APPLY TO CS

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill



## REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

### SPONSOR STATEMENT

CSHB 392

CSHB 392 addresses exvessel value reporting and wholesale price reporting to the state. It allows the Department of Revenue to share, in confidence, exvessel value information with the Department of Fish and Game, Department of Environmental Conservation, and updates wholesale price reporting by requiring better and more timely information from processors. These housekeeping adjustments are necessary to keep state statutes working for our dynamic commercial fishing industry.

The first three sections enable the Department of Revenue to provide processor information needed by ADFG and DEC. Currently, ADFG is able to share information they receive with DOR but the inverse is not provided for in law. DEC currently is unable to access this information from DOR as well although they have legitimate needs for it. Additional duplicative reporting may be established unless we can maximize and coordinate information the state already obtains.

Section 4 reestablishes the time intervals of wholesale price reporting to the Department of Revenue. The current semiannual wholesale reporting is replaced by three new reporting periods per year. The new reporting periods will provide marketers and negotiators more information in a more timely manner.

Section 5 through 8 stipulate that the wholesale information provided to Revenue will include data in terms of all canned sizes sold. Section 10 includes pouches or similar containers within the definition of "canned" for the purposes of receiving this wholesale price information as well. The unit-of-sale categories currently required are often no longer used by the processing industry.

Fishery Business taxes, landing tax, ASMI tax, and aquaculture assessments are all based on the exvessel values of Alaska salmon products. Passage of CSHB 392, should help fishermen and the state in their pursuit of better information, thereby helping them derive the best price, or exvessel value, for their product while modifying processor reporting to be more effective.

AMENDMENT

OFFERED IN THE SENATE  
TO CSHB 392(L&C) am

BY

Page 2, lines 23-29 following "Game":

DELETE ALL MATERIAL

and,

INSERT "all names and addresses of businesses that are required to file confidential reports under AS 43.75.015. The Department of Environmental Conservation and the Department of Fish and Game shall maintain the confidentiality that the Department of Revenue is required to extend to the names and addresses furnished under this subsection."

Revision Date: April 3, 1998 Dept. Affected: Revenue  
 Title: Retorted Salmon Products Reports BRU: Revenue Operations  
 Component: Income and Excise Audit  
 Sponsor: Representative Austerman  
 Requestor: (S) RES COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
CAPITAL EXPENDITURES						
<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1001 CBRF						
1048 University of AK receipts						
Other						
<b>TOTAL</b>						

Estimate of any current year cost: 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Paul E. Dick  
 Division: Income and Excise Audit  
 Approved by Commissioner: Wilson L. Condon  
 Agency: Revenue

Phone: 465-3691  
 Date: April 3, 1998  
 Date: April 3, 1998

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## BILL ANALYSIS

**Section 1** amends the public records statute AS 09.25.100 to allow the Department of Fish and Game (DFG) and the Department of Environmental Conservation (DEC) access to fisheries business tax returns, reports, determinations and work papers. In regard to this data, the DFG and DEC must maintain the same level of confidentiality as required of the Department of Revenue

**Section 2** is the same as section 1 except it is conditional on the repeal and reenactment of the relevant public records statute (see section 2).

**Section 3** amends the Department of Revenue's disclosure statute AS 43.05.230 to allow DFG and DEC access to fisheries business tax returns, reports, determinations and work papers. In regard to this data, DFG and DEC must maintain the same level of confidentiality as required of the Department of Revenue.

**Section 4** amends the wholesale canned salmon prices reporting statute (AS 43.80) to change reporting requirements from semiannual to three 4-month periods. This section also establishes a threshold to distinguish who has to report to the department. Processors who sell more than 240,000 pounds of thermally processed salmon at wholesale during a calendar year would be required to report.

**Section 5** amends the reporting of wholesale canned salmon prices statute to require processors to list price and quantity data for all container sizes on sales to non-affiliates. Currently, processors are required to report wholesale prices and quantities for specified can sizes as defined under AS 43.80.

**Section 6** amends the reporting of wholesale canned salmon prices statute to require processors to list quantity and price data for all container sizes on sales to affiliated companies. Currently, processors are required to report wholesale prices and quantities for specified can sizes.

**Section 7** amends the statute for reporting wholesale canned salmon prices to require the Department of Revenue to report quantity and price data for all container sizes in which the salmon is sold. Currently, information is only reported for specified can sizes.

**Section 8** amends the statute for reporting of wholesale canned salmon prices to require the Department of Revenue to determine the monthly and annual wholesale price averages for all container sizes in which the salmon is sold. Currently, these averages are only reported for specified can sizes.

**Section 9** makes a technical correction to change the word "canned" to "thermally processed" to be consistent with the rest of the bill.

**Section 10** makes a technical correction to change the word "canned" to "thermally processed" to be consistent with the rest of the bill. Also, this section increases the cash discount rate from 1.5% to 2%.

**Sections 11** amends AS 43.80.100 to add definitions for "container", "reporting year" and "thermally processed".

**Sections 12** provides for a sunset date of July 1, 2003 for reporting requirements under AS 43.80.

**Section 13** provides for transition language and makes the due date of the first salmon product report September 30, 1998.

**Section 14** makes section 2 effective if AS 09.25.100 (disposition of tax information) is repealed and reenacted.

**Section 15** makes September 1, 1998 the effective date for sections 1 and 3-13.

**Section 16** makes the date when AS 09.25.100 is repealed and reenacted (if it does occur) the effective date for Section 2.

### OPERATING EXPENDITURES

Department of Revenue does not anticipate additional costs for administering the provisions of this bill.

### REVENUE

Department of Revenue does not anticipate any revenue changes as a result of provisions of this bill.

# FISCAL NOTE

STATE OF ALASKA  
1998 LEGISLATIVE SESSION

BILL NO. CS HB 392(L&C)AM

Revision Date (Note if correction) 03-Apr-98 Dept. Affected Environmental Conservation  
 Title An act relating to access by DEC and ADFG to BRU Environmental Health  
confidential records for fisheries businesses... Component Seafood and Sanitation Inspections  
 Sponsor Rep. Austerman  
 Requester Senate Resources Component Serial No. 1936

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type)	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY98) cost: 0.0

**POSITIONS**

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

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

There are no fiscal impacts to the department.

Prepared by Janice Adair Phone 269-7644  
 Division Director, Environmental Health Date 4/3/98  
 Approved by Commissioner Date 4/3/98  
 Agency Department of Environmental Conservation

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**HCR**

**1**



Official Business

# ALASKA STATE LEGISLATURE

## SENATE RESOURCES COMMITTEE

State Capitol  
Juneau, AK 99801

Chairman: Senator Rick Halford  
Vice Chair: Senator Lyda Green  
Senator Loren Leman  
Senator Bert Sharp  
Senator Robin Taylor  
Senator John Torgerson  
Senator Georgianna Lincoln

### AGENDA

3:30 TO 5:00 p.m.

Monday, February 3, 1997

**HCR 1: North Slope natural gas project**  
Representative Barnes, Sponsor

Expected Witnesses:

Representative Barnes to present the resolution

Yukon Pacific Corp.

Alaska gas producers (ARCO, BP, EXXON)

**SB 7: Hunting, fishing, trapping licenses/fees**  
Senator Donley, Sponsor

Expected Witnesses:

Senator Donley to present the bill

Kevin Delaney, Director, Sportfish Division

**SB 8: Airport/Shooting facilities noise levels**  
Senator Halford, sponsor

Expected Witnesses:

Brett Huber, legislative aide to present the bill

### NEXT MEETING

Wednesday, February 5:

SB 35: Management of parks and recreational areas

SB 19: F&G Commissioner not to enforce federal law

SJR 8: Primary manufacturing of publicly owned timber

ADJOURN



Official Business

COMMITTEES  
Natural Resources  
Legislative Council

# Alaska State Legislature

## Office of World Trade And State/Federal Relations

REPRESENTATIVE  
**RAMONA L. BARNES**  
District 22

### SPONSOR STATEMENT

#### CS HCR 1 (WTR)

CS HCR 1 (WTR) urges the establishment of a stable fiscal and regulatory environment in order to provide the best opportunity for a new LNG project to be economically viable and attractive. To ensure economic viability, a huge volume of 14 million metric tons of gas must be sold per year. The proposed LNG project would transport and market the North Slope gas resource in the Asian Far East market. It is believed there exists an opportunity in 2005 when demand in that market will rise enough to accept the volume of gas which this project will provide. A critical element is the likelihood Alaska's huge volume of gas could be displaced from the market for many years if smaller, more easily placed projects come on line first.

CS HCR 1 (WTR) encourages the Governor to work with North Slope leaseholders as well as the Legislature, the federal government and Congress to develop and complete the LNG project.

The Governor is asked to work with leaseholders to develop a contract for execution with those who appear likely to become sponsors of the project. The contract would point out the nature, degree and duration of fiscal terms for the project and contractually guaranteeing the terms. The contract would be submitted to the Legislature for ratification. The Governor would also provide the Legislature with enabling legislation to authorize the State of Alaska to formally enter the contract.

The Legislature encourages potential sponsors of the LNG project to find suitable measures to support and encourage Alaska businesses and residents to participate in construction and operation of the project.

If built, the project would also be constructed so as to enable the marketing of gas to Alaska communities.

The Governor is asked to work with leaseholders and Alaska's Congressional delegation to identify appropriate federal action to help expedite the project. He is also asked to identify and report to the Legislature, the form of participation in the project by the State of Alaska.

Anchorage  
P O Box 103382  
Anchorage, AK 99510  
907 337-7737  
907 253-1163

State Capitol  
Juneau, AK 99801-1182  
907 465-3438

SENATE COMMITTEE REPORT

HCR1

DATE: 1/29/97

FURTHER:

DATE TURNED IN TO OFFICE: \_\_\_\_\_

Resources Committee considered CS FOR HOUSE CONCURRENT RESOLUTION NO. 1(WTR) Relating to a new Alaska liquefied natural gas project.

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:
- same title
  - new title
- House Bill:
- same title
  - technical change
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Greg D. Jensen</i>	✓				
<i>Adrian Taylor</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<b>CHAIR: <i>Kirk Halford</i></b>	✓	<b>CHAIR:</b>			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):\*

Department	Date	Zero	Fiscal
REVENUE	1/17	✓	
NATURAL RESOURCES	1/24	✓	

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: North Slope Natural Gas BRU: Administration and Support  
 Component: Commissioner's Office  
 Sponsor: Rep. Barnes  
 Requestor: (S) RES COMPONENT SERIAL NO. 123

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY97) cost \$ 0.0

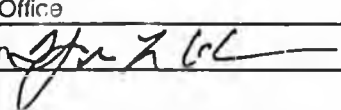
POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

CSHCR 1 (WTR), regarding the proposed North Slope gas project, requests that the Governor (1) identify fiscal terms that would best facilitate the proposed project, (2) work with the North Slope leaseholders to develop a proposed contract to lay out and guarantee those fiscal terms, (3) submit that proposed contract to the Alaska legislature for ratification along with enabling legislation, and (4) work with the Alaska Congressional delegation and the North Slope leaseholders to identify appropriate federal actions to facilitate advancement of the project. Currently, the Commissioner of Revenue is leading the Governor's efforts on the project.

The Commissioner of Revenue has already committed substantial resources, both financial and personnel, to gas line issues, and intends to do so in the future. As a result, no additional funding will be required under this resolution.

Prepared by: Tamar diFranco, Special Assistant Phone: (907) 465-2300  
 Division: Commissioner's Office Date: January 31, 1997  
 Approved by Commissioner: Wilson L. Condon  Date: January 31, 1997  
 Agency: Revenue

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# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

BILL NO.           HCR1          

Revision Date:           1/23/97           Dept Affected: Natural Resources  
 Title:           Relating to a new Alaska liquefied natural gas project           BRU:           Management & Administration            
 Sponsor:           Rep(s) Barnes, Phillips, Rokeberg, Kubina, Kolt...           Component:           Commissioner's Office            
 Requestor:           House Special Committee on World Trade....           Component Serial No.           #423          

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CHANGE IN REVENUES ( )</b>	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						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0


Estimate of any current year (FY97) cost: \$           none          

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

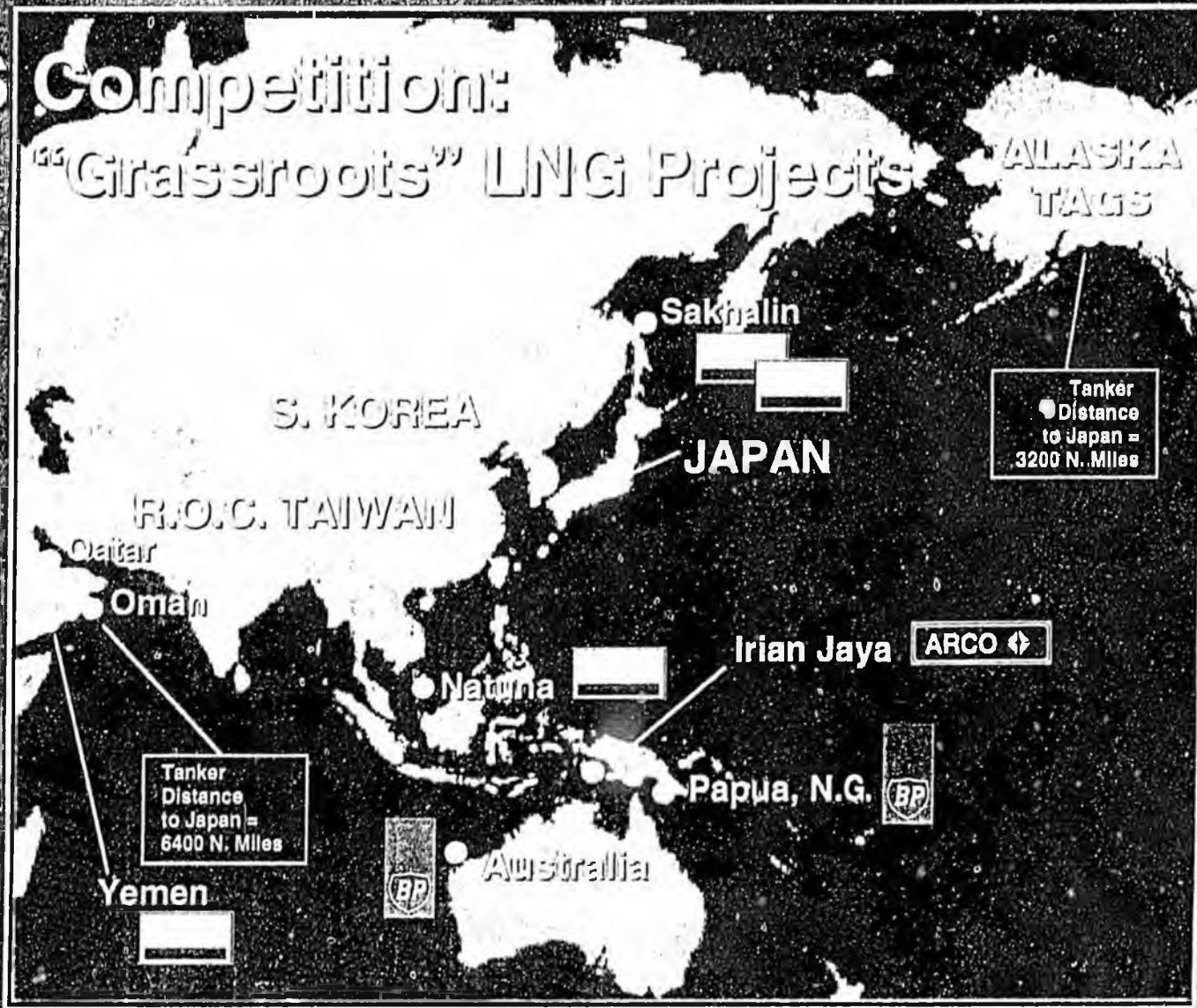
Prepared by:           Carol Carroll, Director           Phone:           465-2406            
 Division:           Support Services           Date:           23-Jan-97            
 Approved by Commissioner:  Date:           1/24/97            
 Agency:           Natural Resources

# TAGS Competition:

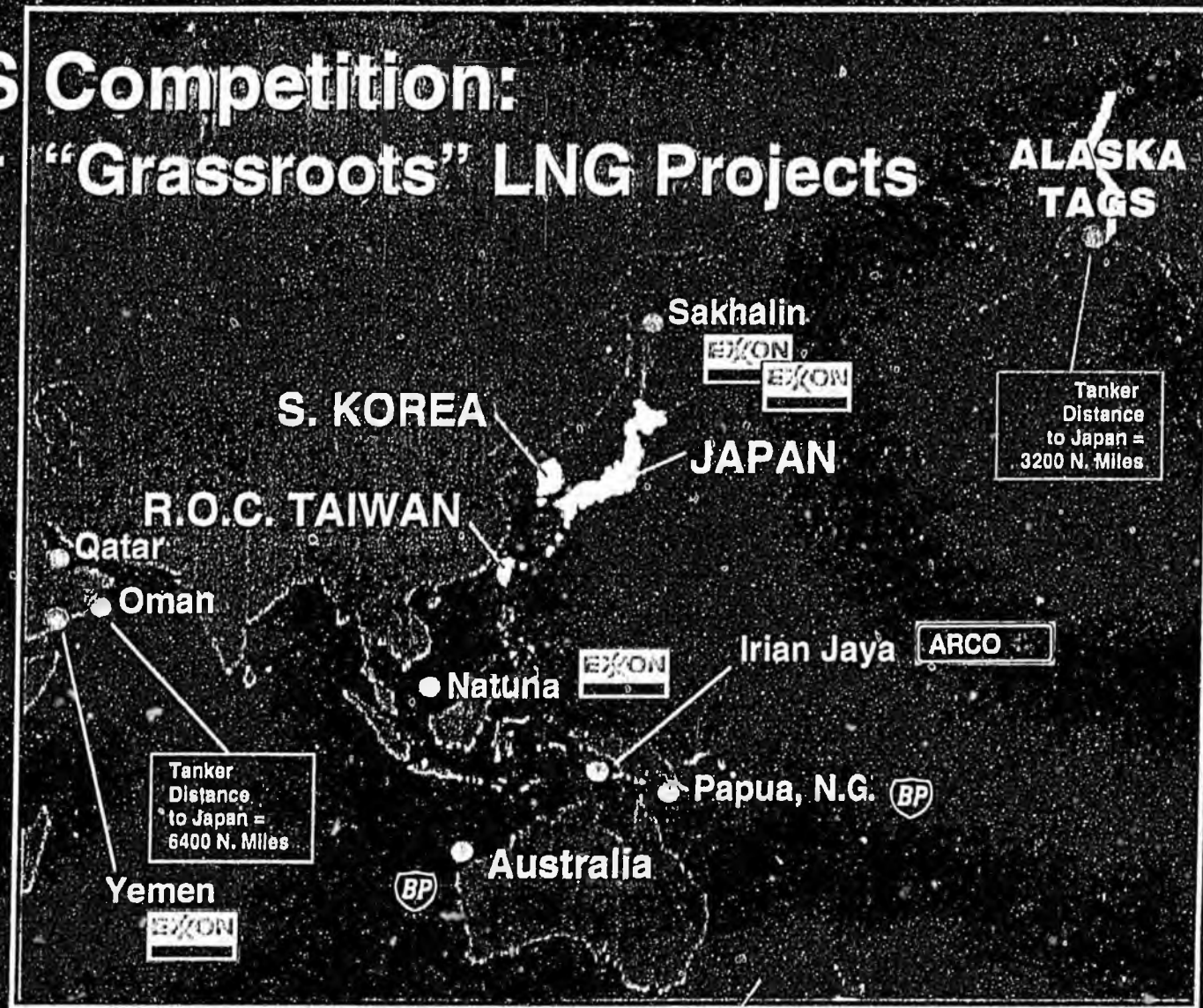
Other

# "Grassroots" LNG Projects

ALASKA  
TAGS



# TAGS Competition: Other "Grassroots" LNG Projects



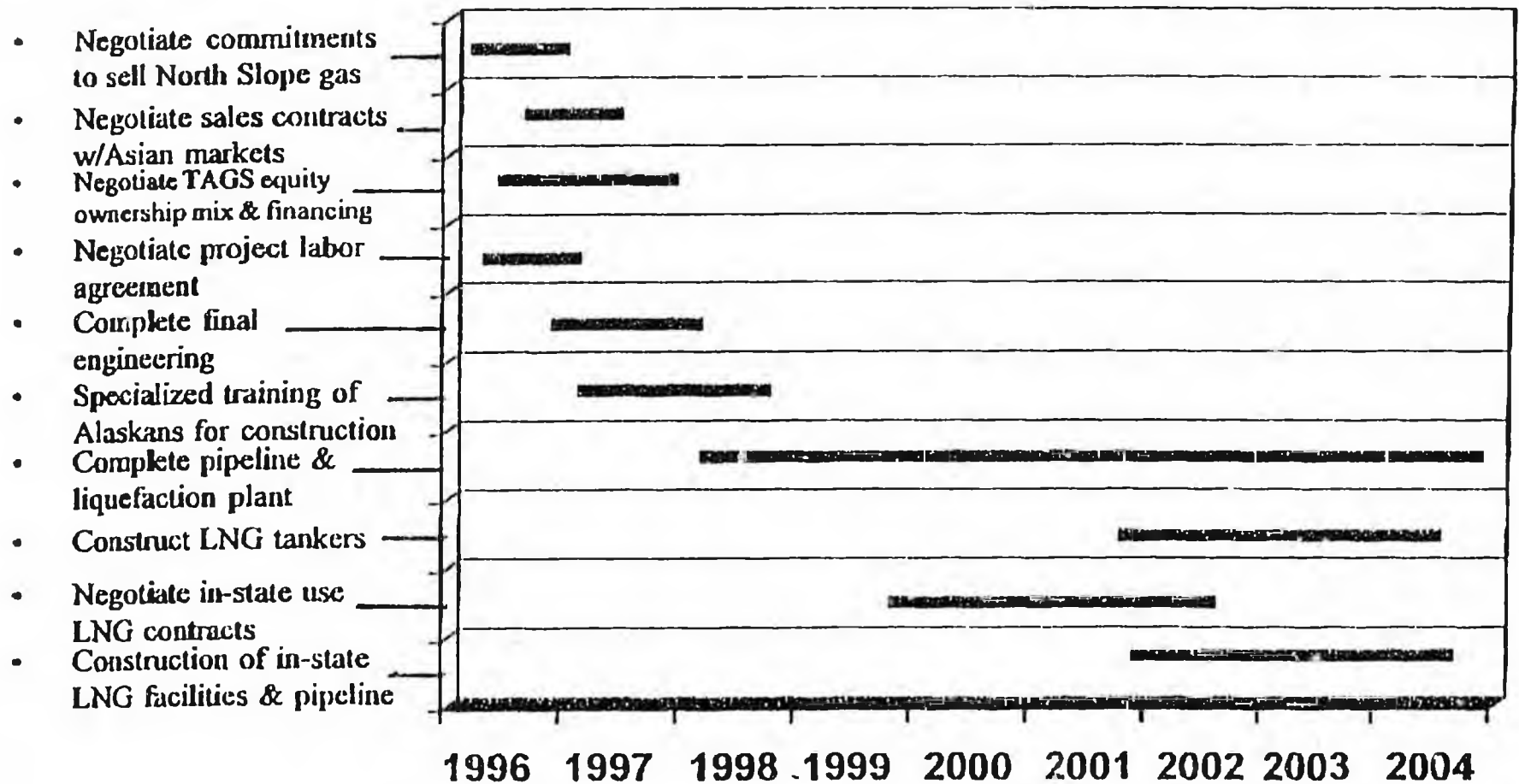
## TAGS PERMITS AND AUTHORIZATIONS

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Over the past twelve years YPC has secured or satisfied all of the necessary legal approvals and requirements to export North Slope natural gas to Asia. These include:

1. **Presidential Approval:** *Presidential Finding Concerning Alaska Natural Gas: Removes impediment to Alaska natural gas exports required by Section 12 of the Alaska Natural Gas Transportation Act (15 U.S.C. 719j), January 13, 1988;*
2. **Project-Wide Environmental Impact Statement<sup>1</sup>:** *Trans-Alaska Gas System Final Environmental Impact Statement, June 1988 (21 federal and State agencies);*
3. **Ahtna Right-of-Way<sup>1</sup>:** *Grants to Yukon Pacific Corporation the right to designate and acquire certain rights in any and all lands acquired by or otherwise available to Ahtna under the Alaska Native Claims Settlement Act of 1971 which are reasonably necessary to construct, maintain operate or terminate the pipeline, October 14, 1988;*
4. **Federal Right-of-Way<sup>1</sup>:** *Right-of-Way Grant for the Trans-Alaska Gas System from The United States of America to The Yukon Pacific Corporation, October 17, 1988;*
5. **State Right-of-Way<sup>1</sup>:** *Trans-Alaska Gas System Conditional Right-of-Way Lease, December 10, 1988;*
6. **DOE's Authorization for Export of Gas<sup>1</sup>:** *DOE/FE Opinion and Order No. 350, Order Granting Authorization to Export Liquefied Natural Gas From Alaska; Limiting of FERC's jurisdiction, November 16, 1989;*
7. **Confirmation of Order 350<sup>1</sup>:** *DOE/FE Opinion and Order No. 350-A, Order Denying Requests for Rehearing and Modifying Prior Order for Purpose of Clarification, March 8, 1990;*
8. **Anderson Bay Final Environmental Impact Statement<sup>1</sup>:** *Yukon Pacific Corporation LNG Project: Final Environmental Impact Statement, March 1995;*
9. **Order Granting NGA Section 3 Authorization for the Siting, Construction and Operation of LNG Facility:** *Federal Energy Regulatory Commission's approval of Anderson Bay, Port Valdez, Alaska as the Place of Export, May 22, 1995.*

# TAGS Best Case Development Scenario



# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education  
State of Alaska

## TAGS PERMITS AND AUTHORIZATIONS

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10. Prevention of Significant Deterioration (PSD) application in progress: *Reserves critical Port Valdez airshed "space" for future LNG plant and marine terminal emissions.<sup>1</sup>*

<sup>1</sup>These assets are exclusive property rights of Yukon Pacific Corporation currently held through its interest in Yukon Pacific Company L.P. and represent over 12 years of effort. It is important to note that the majority of these property rights were obtained before the *Exxon Valdez* oil spill and it is highly unlikely that they could be duplicated in a reasonable period of time, if ever.

Taken together, these authorizations and agreements give YPC the exclusive right to construct TAGS and export Alaska's North Slope natural gas to Asia.