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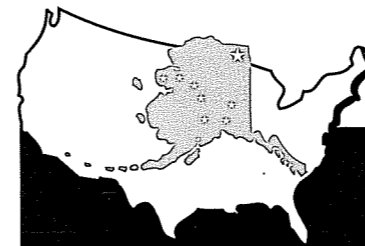
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Post Office Box 6600
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Telephone: 907-225-2151

Resource Development Council
121 W. Fireweed, Suite 250
Anchorage, AK 99503
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Resource Review

September 1992 A monthly publication of the Resource Development Council, Inc.

*DEC proposal seeks to balance
economic and environmental concerns*

Water Quality

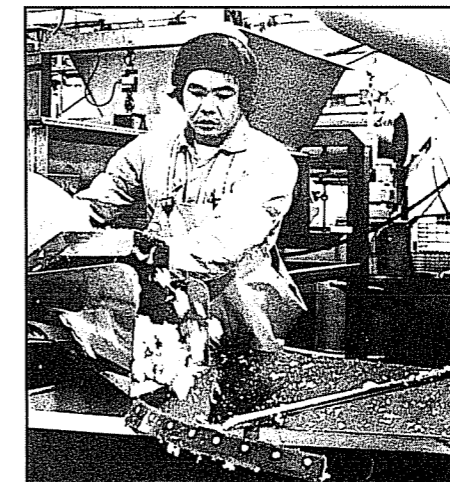
The Alaska Department of Environmental Conservation is under heavy fire from environmentalists for considering economic factors and jobs in re-writing what state and industry officials claim are overly stringent and inflexible water quality standards.

The DEC says its proposal to revise the standards tries — for the first time — to balance economic and environmental concerns. Industry representatives say proposed changes are progressive, overdue and are similar to pollution laws in other states. They stress that revisions are vital to survival and growth of mining and pulp mill operations and other resource development projects.

Environmentalists claim the DEC revisions will greatly reduce water quality standards, leading to statewide degradation of Alaska's waters — an allegation hotly refuted by DEC officials.

Mike Menge, Director of DEC's Division of Water Quality, defended the state's recommendations, insisting they are all reasonable and backed by science.

"There is no proposal to change Alaska's existing aquatic life criteria, which protect fish and the entire aquatic ecosystem from toxic pollutants," said Menge. "These criteria have been part of the water quality standards for many years. They are the standards routinely



Fish processing will be among industries impacted by the revised water rules. The new state standards must be reviewed and approved by the EPA.

applied in permits for waste-water dischargers."

Menge said that for each toxic pollutant, the new standards will be equal to or more stringent than present standards.

The new water quality standards would not only ultimately affect proposed mining ventures across the state and the processing of pulp, seafood and petroleum products, but daily operations of marinas, resorts, hatcheries and municipalities. In fact, any activity that results in a discharge into waters of the state could be impacted by the

(Continued to page 6)

Good jobs going nowhere

*Congress ignores
opportunity*

By Becky L. Gay

As another Labor Day passes, the cry for domestic jobs is at a new pitch.

In the intense exchanges of the 1992 election, candidates are searching for the answers to domestic unemployment. All parties are conscious of the need to give citizens hope for the future.

The contraction of jobs is felt at all levels. Every family which suffers from unemployment knows the feeling. Having no job, and no job in sight — hurts. For a productive person, job loss is felt deeply, at a vital energetic level.

Lost jobs are mourned, but none so keenly as jobs in this country going overseas. The export of jobs, as imports increase, is glaringly evident in the domestic resource sectors. Look, for instance, at the domestic energy picture. All indicators are bad.

Rig counts are the lowest in decades. New acreage for exploration is unavailable. Independent producers have lost hundreds of thousands of jobs. The major producers are looking overseas as they continue large job purges. Domestic oil field support service industries, from la-

(Continued to page 4)



**Message from
the Executive
Director**
by
Becky L. Gay

**Gay back at the
helm of RDC**

Yes, I'm back! After taking a year's leave of absence to work for Governor Hickel and the ANWR effort, it is good to be back among the producers.

I thank RDC President Paul Glavinovich and past-President John Rense, the Executive Committee and the Board for granting me the opportunity to participate in public service for the past year. The support of the RDC membership has been gratifying.

I also want to commend the RDC staff for keeping the Council strong and active over the past year. I could never

have left without such a great staff to carry on. I especially appreciate Debbie Reinwand's ability to step in as Acting Director and keep things moving so smoothly.

The view from the Governor's office is really something. It was great to be working on a project which was blessed by the Legislature and supported by so many Alaskans. Of course, the loyal opposition was always trying to monkey-wrench things, but that was expected. What was not expected was some of the "friendly-fire." As Tony Jackson, ANWR intern and hockey goalie said, "It's only a flesh wound. Let's stay with the real fight."

I'd like to thank the Governor for his strong support of ANWR and the project. It was exciting to be on the inside, of the strategy sessions, at the highest levels of government, working with the full public, within state procurement guidelines and without tipping off the opposition in advance. I look forward to continuing to advance ANWR.

Special thanks are due to many people; Mike Nizich and his administrative staff, Deputy Chief of Staff Joe Holbert, McKie Campbell, Malcolm Roberts, Margie Ward and the Governor's Anchorage staff, Jim Eason and the Oil & Gas Division, John Katz, Larry Ostrovsky and the D.C. office, all the A-Team outreach legislators, Rod Jackson, Former Governor Bill Sheffield, Joan McCoy, Mayor Kaleak, Alma and Joe Upicksoun of the North Slope Borough, and the hundreds of people who took the time to express support on ANWR.

Strategy offered to bridge Alaska's fiscal gap

The University of Alaska's Institute for Social and Economic Research has issued a five-point strategy aimed at bridging Alaska's pending fiscal gap.

Entitled, "Safe Landing: A Fiscal Strategy for the 1990s," ISER's offering is controversial and serves warning that Alaska's oil bonanza is coming to an end. Economist Scott Goldsmith authored the report.

Oil accounts for 30 percent of Alaskans' personal income and 85 percent of the state's general revenues. Oil revenues to state government support about 30,000 public jobs and 50,000 in the private sector. Oil money also funds the major portion of essential government operations at both the state and local levels.

Oil revenues over the next two decades will fall sharply as oil production decreases at Prudhoe Bay. Oil revenues to the state amounted to about \$2.5 billion last year. If the current rate of spending continues and oil revenues decline as predicted, the current \$500 million deficit will increase to over \$2 billion a year by 2010.

ISER recommends cutting state spending by \$1 billion a year, including restructuring the longevity bonus program to be based on need. The report also suggests using Permanent Fund earnings to pay for government services, which would eliminate the annual dividend program.

Other points in the strategy recommend positive tax and royalty policies to encouraging economic development. The strategy also advised levying taxes on personal incomes statewide and encouraged local governments to institute sales and property taxes to cover costs of local services.

ISER advised the state to conserve and invest windfalls, using reserve accounts as a buffer during periods of low oil prices, not to maintain high budgets.

Lee Gorsuch, Director of ISER, will join George R. Findling, Manager of Government and Public Relations at ARCO Alaska, Inc., in making a special breakfast presentation on the report. Entitled, "Filling Alaska's Fiscal Gap," the breakfast will be held Thursday, October 8 at the Sheraton Anchorage Hotel at 7 a.m. Call RDC for reservations.

The Resource Development Council (RDC) is Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in an orderly manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

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Resource Review is the official monthly publication of the Resource Development Council. RDC is located at 121 W. Fireweed, Suite 250, Anchorage, AK 99503, (907) 276-0700.

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Writer & Editor
Carl Portman



**New water quality standards will
affect all industries, communities**

By Robert Higgins
Ketchikan Pulp Corporation

Alaska's Department of Environmental Conservation (ADEC) is currently in the first phase of a federally required triennial review of the State's water quality standards. Limitations will be set on the following thirteen parameters: fecal coliform, dissolved gasses, pH, turbidity, temperature, dissolved inorganics, sediment, toxics, color, hydrocarbons, radioactivity, residual chlorine and residues.

There appears to be a common misconception that water quality standards apply only to pulp, mining, seafood processing and petroleum industries. Not True! Marinas, resorts, hatcheries, municipalities and non-municipal subdivisions are also affected, to name a few. In fact, any activity that results in a discharge into waters of the State will be impacted by the standards.

Water quality standards introduced in the mid-seventies were found to be overly stringent and unenforceable. Upon review, most criteria reflected drinking water standards. The use of these standards in the development of wastewater discharge permits has resulted in discharge limitations that cannot be met or are technologically and economically infeasible.

Therefore, the proposed water quality standards are of critical importance to the citizens of Alaska since they not only affect the environmental quality of the State's waters, but, also affect how citizens can use the waters. As such, it is incumbent that the ADEC insure that standards provide for adequate environmental protection without unreasonably impairing the domestic, municipal, commercial and industrial use of the waters. Generally speaking, the standards should reflect natural water conditions found throughout the state and not be set at limits so restrictive as to exceed native water

**Guest
Opinion**

quality. Further, the State should be encouraged to consider the experience of other states and associated technical limitations in formulating water quality policies and strive to set standards that are generally consistent with those of the other 49 states.

The issues are extremely complex and not easily understood. However, it is extremely important to understand Section 18 AAC 70.050 of the Alaska Water Quality Criteria - Classification of State Water which states that classes or designated uses that apply to fresh, marine, and ground waters of the State are protected for *all designated uses* unless they have been re-classified. Few waters have been re-classified and most will probably not be. Therefore, the most stringent water use classification always applies.

When looking at a proposed change in Water Quality Criteria, it is necessary to review the *designated use classification* and the *most stringent use criteria* in order to evaluate the real impact to State waters and more importantly to we citizens of Alaska.

If you believe you may be affected (and most of us will be), please call your local ADEC representative or the ADEC in Juneau for an explanation of how *each* of the standards impact your activities.

In order to develop water quality standards that are meaningful but not overly restrictive, your voice must be heard in Juneau. (*Editor's Note: DEC's Juneau number is 465-5300.*)

RDC recommendations on Water quality ... (Continued from page 6)

good science that confirms the need for changes and the value of the regulations.

- DEC should make sure that the regulatory benefits are real and that the costs involved reflect the benefits.
- Evolving standards must be achievable and not absolute. A key element must be "feasibility."
- DEC should take into account the economics of world markets, new technology, other environmental tradeoffs, or a company's ability to afford or finance regulatory demands.

Steve Taylor, Manager of Environmental and Regulatory Affairs at BP Exploration (Alaska) Inc., said it is critical that industries encourage DEC to implement regulations that are reasonable and appropriate for Alaska.

Robert Higgins, manager of environmental affairs for Ketchikan Pulp Corporation, encouraged business and industry representatives to contact local DEC representatives for an explanation of how each of the standards will impact their activities. Generally speaking, the standards should reflect natural water conditions found throughout the state and not be set at limits so restrictive as to exceed native water quality, Higgins said.

"It is incumbent that DEC insure that standards provide for adequate environmental protection without unreasonably impairing the domestic, municipal, commercial and industrial use of the waters."

State seeks to change water quality standards

(Continued from page 1)

standards.

If stricter federal standards are imposed, state and private sector officials warn that the rules could drive companies out of business and chase away prospective industries at a time when Alaska needs to diversify its economy. Compliance to the tougher federal rules would cost Southeast Alaska pulp mills hundreds of millions of dollars. In some cases, the cost of compliance could exceed the overall value of the mills.

The mills in Sitka and Ketchikan have invested millions of dollars over the past several years to upgrade pollution controls and meet tighter standards. The revised rules could determine whether pulp mill permits in Southeast are worth pursuing. (See related Ketchikan Pulp Corporation opinion article on page 7)

Under the state's recommendation, the pulp mills would be allowed discharges at a level predicted to cause one case of cancer for every 100,000 people. The federal standard would limit discharges to an amount that would cause one case of cancer in a million people.

"The question is whether we are spending money to keep one person in a million from a potential death from cancer or risking the much higher chance of people starving because the industry goes out of business," said Frank Bergstrom, environmental compliance manager for the Echo Bay mine project.

In many cases, the new guidelines would strengthen, rather than weaken rules governing water pollution.

The guidelines would limit mixing zones in rivers and streams, and, for the first time, prohibit mixing zones from exceeding aquatic life criteria in fish spawning areas and permanently displacing or reducing fish populations.

The mixing zone is a volume of water around an industrial discharge in which discharge may exceed water quality criteria. Mixing zones have been

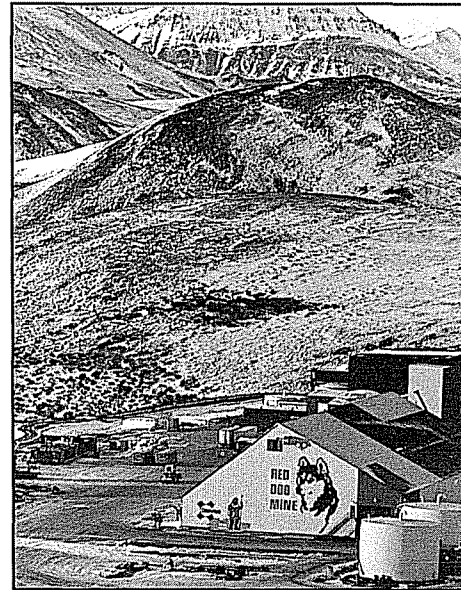
authorized in regulation since 1979.

Environmentalists claim the zones are a license to pollute and should be banned. Such action would seriously jeopardize fish processing, timber, mining, and oil and gas exploration and production operations across the state.

The state's proposal would exclude ponds, lagoons, impoundments or other surface water bodies that are integral parts of approved wastewater treatment and disposal systems. DEC maintains that the treatment ponds and lagoons can be designed and operated in a manner that minimizes environmental risk. To qualify for the exclusion, systems must now be approved by the Department or constructed in accordance with state or federal disposal permits.

RDC President Paul Glavinovich noted that "water quality is not simply a black or white issue — there are various shades of gray here." Glavinovich said Alaska must strive to make the standards reasonable, achievable and fair, otherwise efforts to diversify the economy will be undermined by opportunity-killing regulations which, in the long term, won't even serve the best interests of the environment.

In a hearing held last month in



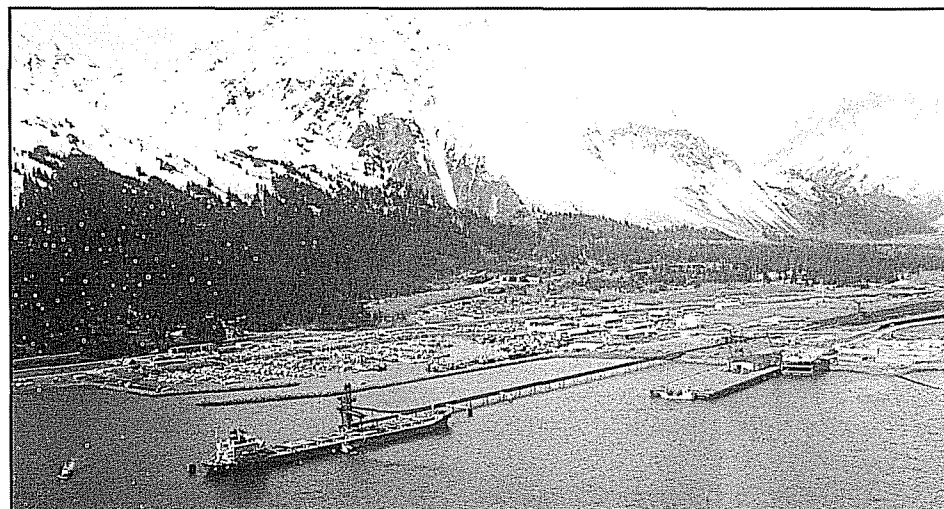
The minerals industry has supported standards which reflect natural water conditions, as opposed to restrictions which exceed native water quality.

Anchorage, RDC was the only group testifying in favor of standards that would balance economic and environmental costs. RDC emphasized that in regulating impacts on the environment, regulators must accept the fact that there are limits to corporate and community resources and the private sector's ability to absorb huge costs entailed in meeting regulations.

In regard to the proposed changes in the standards, RDC recommended:

- New regulations be based upon

(Continued to page 7)



Revisions to the water quality standards would not only cut across all industrial sectors, but would ultimately affect daily operations of marinas and municipalities. Pictured above is the Port of Seward.



Thoughts from the President

by Paul S. Glavinovich

Regulations surrounding lease sales kill optimism

Why nobody showed

On June 2, 1992, the State Department of Natural Resources Division of Oil and Gas held an oil and gas lease sale -- nobody showed up. In the year prior to this sale, the federal Minerals Management Service offered potential gold bearing tracts offshore of Nome at a lease sale -- nobody showed up.

Newspaper articles following these lease non-sales contained quotes from the agencies involved and from industry that attempted to rationalize the total lack of interest from mineral and oil producers in the sales.

State oil and gas lease sale 68 offered 36 tracts encompassing 153,445 acres of here-to-fore unleased lands located in an 80 mile arc surrounding Point Barrow. The Anchorage Times quoted the State Division of Oil and Gas and industry sources that tougher drilling restrictions, geologic conditions, high exploration and development costs and remoteness all contributed to the oil industry's non-response to sale 68. No one mentioned the fact that several years prior to sale 68, a lease sale involving federal lands immediately adjacent to these tracts attracted considerable industry interest. Certainly the geology, remoteness and exploration costs adjusted for inflation haven't changed. What has changed, however, is that in the upper levels of industry management the spirited and optimistic can-do-attitude has been diluted by a continually expanding regulatory climate that has driven development costs to the point that few, if any, remaining exploration targets on the North Slope are seemingly viable.

The submerged land tracts offshore Nome were identified and nominated for a lease sale by the mining industry. The Minerals Management Service responded to this interest; however, just prior to the actual sale the MMS advanced a requirement that the successful bidder would be required to fund a community health survey of the people of Nome. The environmental community, not pleased with the proposed sale and working with several local native groups, threatened a lawsuit to challenge it. These two events and the downstream implications quickly diluted any optimism that industry may have had for this potential opportunity.

Resource development in Alaska, be it mineral or hydrocarbon, receives considerable oversight by local, state and federal regulators, not to mention the environmental community. Many of the regulations are necessary to ensure a standard of compliance; many are not and serve only to dissuade and dilute the optimism of private capital. We must draw the line and find an acceptable balance, the alternative is not acceptable.

Conference to highlight environmental mandates, society's ability to pay

Two-day program to shed new light on "Green Regime" and its economic, environmental and social implications

People want clean air, water and a pristine environment, and, today, many say they are willing to pay whatever it costs to get them. But can local communities and industry afford to finance an ever-growing list of unfunded environmental mandates? The growth of these mandates has mushroomed. The costs are now enormous and, in many cases, incalculable. Tomorrow their costs may be intolerable.

The rising costs of environmental mandates and society's ability to pay for them will be the primary focus of RDC's 13th Annual Conference, November 19-20 (Thursday-Friday) at the Hotel Captain Cook in Anchorage.

Needs of the 90s: Prosperity and the Environment will examine the tribulations of excessive regulations and will feature leading national speakers on topics ranging from environmental success stories to the energy debate. The program will also shed new light on the "Green Regime" and its economic, environmental and social implications for Alaska communities and business.

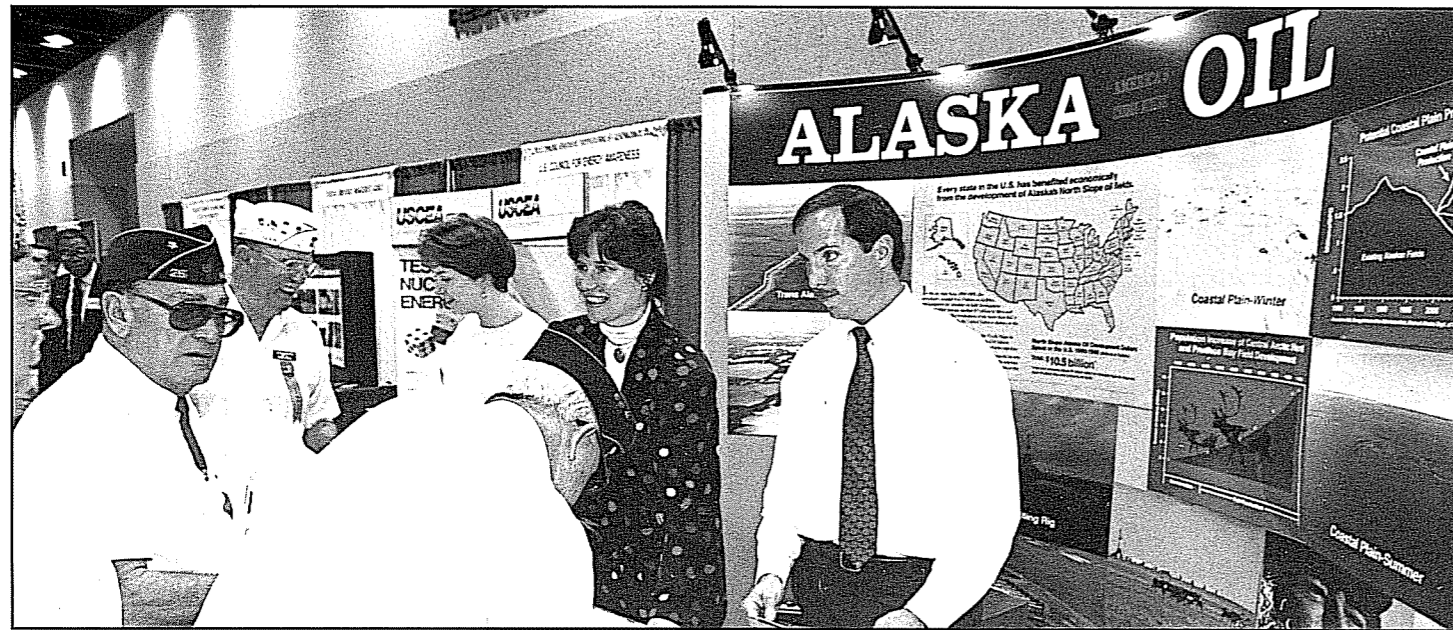
The conference will open with an in-depth look at environmental mandates and their impact on business and local communities. The true costs of regulations, increases to come, litigation and opportunity costs will be examined. Local mayors will address unfunded initiatives, and a study measuring the costs and benefits of environmental programs in nine Lower 48 cities will also be revealed.

In addition, the conference will dedicate an entire segment to new directions in federal environmental policy, including presentations on the Endangered Species Act, biodiversity, the Rio conference, federal wetlands policy, RCRA and the domestic energy debate. Another segment will offer private-sector solutions to today's environmental problems.

Other issues to be addressed include global warming, ozone depletion, risk analysis and the relationship of health to wealth in global environmental policy. A number of Alaska issues will also be highlighted, including the controversial subsistence and Mental Health Trust Lands issues.

Some 20 national speakers will travel to Anchorage for the RDC meeting.

The conference will offer expanded exhibit space to showcase Alaska businesses and services. For additional information on the RDC conference and trade show, call 276-0700.



RDC's Kim Duke, Senator Drue Pearce and Representative Mike Navarre pitch for Alaska oil development at a trade show in Phoenix last year. RDC has participated in numerous Lower 48 outreach programs aimed at educating the general public, business leaders and the media about proposed oil development in ANWR.

(Continued from page 1)
borers and welders to computer techs and geologic sciences have a dim future. The manufacturing sector has already felt the pinch. The transportation sector which moves all those goods is reeling with uncertainty. Many will not make it to the future.

Conversely, foreign oil supplies keep coming in, transported by foreign tankers to supply over 50% of American consumption. Oil producing jobs have not vanished, they have simply left our shores.

Energy options are limited. Instead of importing energy, America can *conserve, use alternatives to, and produce energy*. Each has its pros and cons.



Domestic oil development and production not only generates hundreds of thousands of jobs, but provide a wide array of petroleum-related products that Americans use on a regular basis.

"Alaska oil is a domestic resource, pumped out of the ground by American workers, sent down an American-built pipeline, loaded on American tankers in an American port and shipped to American ports to be refined and used in America. What's more domestic than that?"

- Becky Gay

Jobs

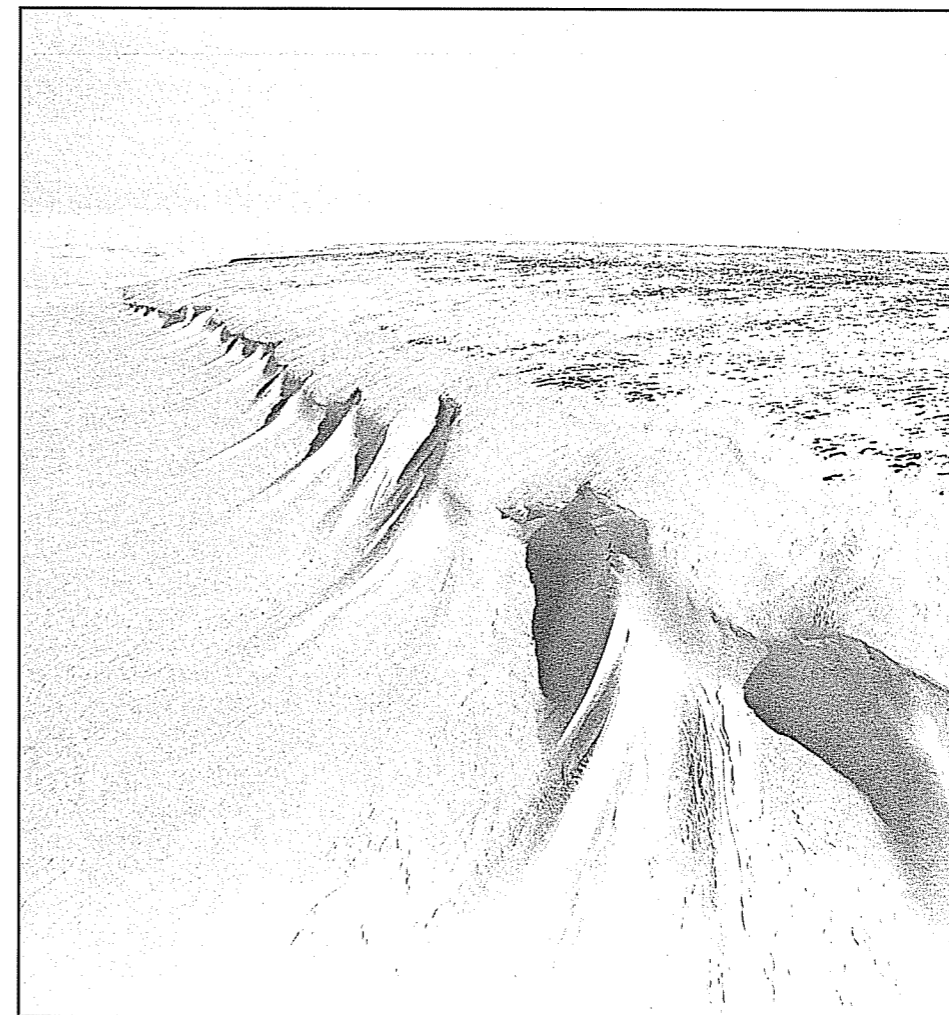
Conservation will reduce demand or shift it to other products. Ideally, but not necessarily, conservation will cause less to be imported. Conservation is the efficient use of resources, not an energy source itself. It's a fact that your car/tractor/generator does not run on conservation.

At the most basic level, conservation means doing without. But doing without what? That is the real test of conservation.

It is a luxury to have a choice whether to buy a big, new car or an economy car, a power or a push mower. Unemployment makes choices much

more limited and fundamental—like whether to buy a new muffler, pay the electric bill or go to the doctor. Turning down the heat is a choice, but having the heat turned off is an ugly situation.

Alternatives have a role in the energy solution as well, but wind, ethanol, solar and hydro must be held to the same tough standards we hold fossil fuels and nuclear. Discuss for instance, the surface disturbance of each development, not just the oilfields. Compare the costs of inputs with energy output, the transmission costs and constraints. Look at which can pay taxes and which need subsidies.



ANWR holds the most promise for a major oil and gas discovery in the United States. ANWR's Coastal Plain, the only area being considered for development, is just 8 percent of ANWR. Less than 1 percent of the Coastal Plain would actually be affected by full development, leaving 99 percent untouched.

Producing energy at home is vital. Regardless of what the opposition cries, America can **and does** produce energy, namely fossil fuels. America does the best job worldwide of producing oil. Alaska leads the pack in producing oil with environmentally-sound technologies and practices.

Producing energy means America plays a bigger role in meeting its own demand. What's wrong with that? As Governor Hickel says, to most people, a big project is better than a war.

Labor supports the ANWR project. ANWR access has support of the local borough government, the Governor, the State Legislature, the Congressional delegation, both major political parties, the Department of Interior, President Bush and most Alaskans.

The political reality is this. Only Congress can allow the project to go forward. Even though Alaska Democrats support it and the bill to give access was co-sponsored by a leading Southern Democrat, Congressional leaders have failed to move it for the last 12 years.

Instead of looking at real projects to help the working person, now the Democratic Presidential candidate is against the single-most jobs oriented project one state could undertake for America.

After all, Alaska oil is a domestic resource, pumped out of the ground by American workers, sent down an American-built pipeline, loaded on American tankers in an American port and shipped to American ports to be refined and used in America. What's more domes-

Conservation is the efficient use of resources, not an energy source itself. It's a fact that your car/tractor/generator does not run on conservation.

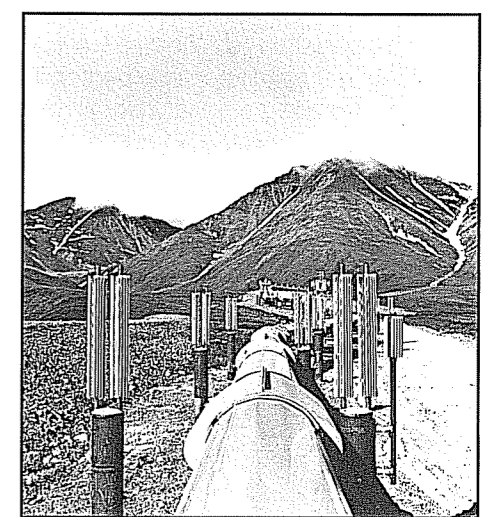
tic than that?

Since 1980, some \$20 Billion dollars have flowed into other states as a result of North Slope development. History has shown that producing oil in Alaska puts people to work all over the nation. It's a domestic project that could begin tomorrow and last for thirty years or more.

If you believe that American workers are losing ground, think about the ANWR project waiting to happen. It is a good example of what we could be doing for ourselves. It means jobs and energy for America for decades.

As this election year Labor Day passes, let us each examine the choices we make and the ideals (and candidates) we support.

Remind those who are running for office that "Fix America First" begins at home. ANWR could be a great project. And before another Labor Day passes, with more Americans unemployed, let us not be stopped by our own indecision and political system.



Oil produced at Prudhoe Bay is shipped down the Trans-Alaska Pipeline to Valdez where it transported by American tankers to West Coast ports. North Slope fields account for 20 percent of America's domestic oil production.