



ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

Co-Chair: Senate Resources Committee

Member: C&RA Committee

Member: LB&A Committee

Member: Regulatory Review

Member: World Trade

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Gleason Decision Alternate Perspective

Today, at Co-Chair Wagoner's urging, the Senate Resources Committee heard an alternative perspective on the Gleason Decision, after three consecutive days of presentations by the attorneys who represented the municipalities in the case.

That alternative perspective was presented by Brad Keithley and consumed the entire 45 minutes that was allotted for the counterpoint to the four-and-a-half hour presentation offered earlier in the week.

Mr. Keithley is a partner and co-head of the Oil and Gas practice at Perkins Coie. His legal practice focuses on the areas of oil and gas regulation, commercial transactions and litigation. He is licensed to practice law in Alaska, the District of Columbia, Oklahoma, and Virginia.

The gist of his presentation was that it is wrong to surrender to the suggestions that: the Gleason Decision was "good news for Alaskans;" should "ease the minds of Alaskans" and should "give supporters of keeping oil taxes where they are new ammunition."

"The notion that a court's determination on the TAPS service life should be used as a platform for not changing oil taxes is just plain silly," said Keithley. "Oil taxes are based on the amount of oil moving through TAPS, not the life expectancy of TAPS – it's all about the throughput."

Mr. Keithley paraphrased James Carville from 1992; "It's the production rate ... not the reserve life."

Mr. Keithley presented some alarming budget projections for Alaska if added throughput into TAPS is not addressed, noting that the taxes from oil through the TAPS is literally what fuels the State's revenues.

He also pointed out that the Gleason Decision hurts the State of Alaska financially by reducing royalty and production taxes, while it disproportionately benefits the North Slope Borough, Fairbanks and Valdez.

Mr. Keithley ended his presentation by stating that the Gleason Decision only extended the TAPS life longer than some have previously forecast. He concluded with, "In short, the person that turns the lights off on Alaska's economy can stay a few more years, but the remainder will have left long before."

Senator Tom Wagoner (R-Kenai) Co-Chair of Senate Resources commented on the earlier presentations, noting several items that concerned him.

"I clearly heard the suggestion that adding heat to TAPS was not an urgent matter and that Alyeska had not even ordered heaters," said Wagoner. He recalled the TAPS shut down from a year ago and remarked, "Heat was absolutely required then and Alyeska has appropriately added winter recirculation for heat in its regular operations."

Later, the presenter stated that Alyeska is managing pipeline temperatures by recirculating at Pump Station 7. Wagoner pointed out that recirculation is occurring at Pump Stations 3, 4 and 9 with Pump station 7 on standby and used when temperatures warrant.

"These are basic errors made by people who have been brought before the Committee to provide a "do-nothing" platform for the oil tax debate," said Wagoner. "As Co-Chair I am frustrated with the hours and hours we have spent hearing a couple of trial lawyers talk about their ideas on what should be done with oil taxes."

He concluded that while the Gleason Decision presentation was informative, reaching beyond the court case to make statements about a taxing regime was not something he supported.

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