



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Environmental
Conservation

DIVISION OF ADMINISTRATIVE SERVICES

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The Honorable Cathy Muñoz
Chair, House Finance Subcommittee
State Capitol Room 421
Juneau AK, 99801

Dear Representative Muñoz:

Thank you for the opportunity to provide you with a brief overview of the Department of Environmental Conservation's FY2015 budget request on February 6th. During our meeting some questions arose that required additional information. I have responded to those questions below. If you would like additional information, or have additional questions, I am happy to assist.

Can DEC provide an update on the geoducks and Chinese ban on importation? (Rep Seaton)

Please see the attached "Shellfish Sanitation Program Briefing on Geoduck Shipment Linked to China Shellfish Import Ban."

Why are we making this more difficult? Are DEC's air quality regulations more stringent than the standards of the Environmental Protection Agency? (Rep Higgins)

Last September, DEC proposed fine particulate matter (PM2.5) emission certification standards for new wood-fired heating devices that are more stringent than EPA standards. EPA's current certification standards for new wood-fired heaters are more than 30 years old and do not cover all of today's wood heating devices (e.g. outdoor wood boilers are not subject to certification). DEC proposed tighter standards within the Fairbanks North Star Borough PM2.5 non-attainment boundary in order to:

- **Bring the area into compliance** with the air quality health standard as quickly as possible while allowing for the continued use of wood as an affordable heating option. Since wood burning is a significant source of PM2.5 in the area, it must be addressed in the federally required air quality plan. Air quality can be improved by ensuring that any new heaters installed are cleaner burning.
- **Support local control programs.** The Fairbanks North Star Borough's voluntary solid fuel-fired heating device change-out program replaces old, non-certified wood stoves with newer, certified devices. EPA currently certifies new devices that emit up to 7 grams of fine particulate matter per hour, but much cleaner burning units are affordable and available. DEC's proposed regulation would lower the limit for new heaters to 2.5 grams of fine particulate matter per hour. By requiring new wood heaters to be cleaner, the Fairbanks North Star Borough Non-attainment area reaps more benefit from the solid fuel-fired heating device change-out funds.

DEC, as required by AS 46.14.010 and AS 46.14.015, prepared a written justification documenting the unique meteorological conditions, need to protect human health, and technological and economic feasibility of the proposed standards. The justification paper was independently peer reviewed and available for public review during the 125 day regulation comment period.

In January 2014, EPA released a proposed rule to tighten the national emission certification standards for new wood-fired heating devices. EPA's proposal would step down the standard in two or three phases, with the later phase being more stringent than DEC's current proposal. DEC is reviewing and considering EPA's recent proposal along with public comments received on the draft regulations. DEC's regulations can be established in advance of EPA's final rules providing benefits more quickly within the PM2.5 non-attainment area. EPA's final rule is still more than a year away (or longer) before any benefit could be realized in the community.

Why does Homeland Security not allow C-plan to be posted publicly? Has DEC received communications to that effect? (Rep Seaton)

The Department agrees with Representative Seaton that Oil Discharge Prevention and Contingency Plans (C-plans) should be available electronically. There is no letter stating what will be kept confidential in C-plans. The Division of Homeland Security and Emergency Services (DHSES) in the Department of Military and Veteran Affairs (DMVA) reviews contingency plans submitted for critical national infrastructure (which at this point are only the Valdez Marine Terminal and Alyeska Pipeline) and determines which portions cannot be released to the public. The items considered sensitive include: security protocols, the location of security personnel, specific processes, contact information for personnel, etc.

Regardless, the only restriction to DEC not posting non-sensitive portions of contingency plans online is technical. Contingency plans are large documents, making it difficult to upload and download electronically. The department is working to find a solution to this issue.

At this time last year the 1-cent surcharge was turned off, what changed to cause it to be turned back on? (Rep Pruitt)

Please see the following quarterly balances of the Response Account in the Response Fund. Please note that the 1-cent response surcharge is suspended and reimposed effective the first day of the quarter after the balance is reported. This causes a 90 day "delay" in the suspension and reimposition of the 1-cent response surcharge.

Quarter-end date	Balance	Action
September 30, 2012	\$50,146,768.36	<i>surcharge suspended effective January 1, 2013</i>
December 31, 2012	\$50,410,174.89	
March 31, 2013	\$48,775,085.97	<i>surcharge reimposed effective July 1, 2013</i>
June 30, 2013	\$48,250,848.61	
September 30, 2013	\$47,751,544.25	
December 31, 2013	\$48,245,549.26	

Emergency responses during the January-March 2013 period further obligated the Response Account under the authority of AS 46.08.040. Notably, the drill rig Kulluk ran aground off Sitkalidak Island on December 31st, 2012, and DEC was actively engaged with recovery efforts in the following weeks. The obligation for the Kulluk incident was recognized in early January 2013. Additionally, DEC increased the obligation for its response to contamination at the Flint Hills Refinery by \$2.3 million in February 2013. These financial obligations for responses reduced the unobligated balance for the quarter ended March 31, 2013.

Did the BP settlement cover the full cost of the response? (Rep Pruitt)

Yes. On November 2, 2012, BP Exploration (Alaska) Inc. settled certain legal claims with the State of Alaska for a \$10 million payment. That amount was received by DEC and deposited to the Prevention Account of the Response Fund. The settlement amount does not distinguish between direct cost recovery and the assessment of civil penalties. To date, DEC has recorded approximately \$5.56 million in expenses related to this particular case. Additionally, the State received a \$245 million arbitration award for other claims in the case.

Please provide a list of 2013 spills and what happened to the money collected from responsible parties. (Rep Muñoz)

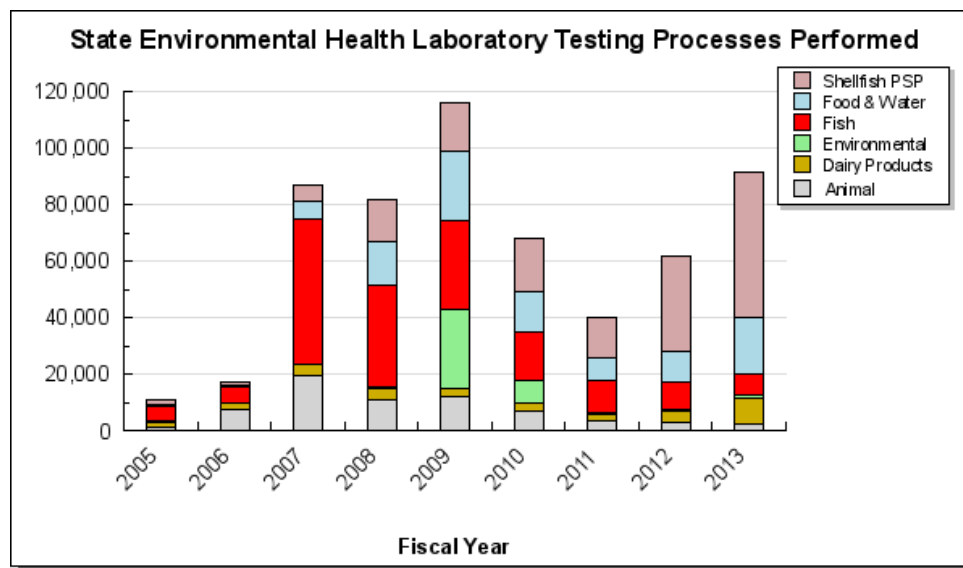
Please see the attached list of all sites for which cost-recoverable expenses were recorded in FY2013. Receipts from cost recovery are deposited to the account from which the original expenses were made. Following is a breakdown of expenses and costs recovered by relative site cost. The amount of costs recovered includes only those receipts received in FY2013 and is not reflective of the amount that could be recovered in the future for these sites.

Prevention Account	#	Total Expense	Costs Recovered
Sites less than \$1,000	238	\$95,555.33	\$37,770.66
Sites \$1,000 - \$5,000	113	\$254,325.18	\$148,100.64
Sites \$5,000 - \$10,000	17	\$113,409.49	\$23,359.73
Sites greater than \$10,000	27	\$920,068.56	\$278,887.61
Total	390	\$1,383,358.59	\$488,118.67

Response Account			
All sites	11	1,460,117.70	991,316.98

Can DEC provide a breakdown of tests that the Department offers how those tests are paid for? (Rep Seaton)

The following Performance Measure describes the number of testing processes performed in recent years by the Environmental Health Lab.



Pursuant to a related request from Senator Mike Dunleavy in October 2013, the Division of Environmental Health prepared a report on fee calculations. That report and its attachments are attached.

Can DEC provide a map showing the areas that are not yet served by running water and sanitation facilities? (Rep P Wilson)

The Village Safe Water (VSW) program does not maintain a map of unserved communities, but there are 35 remaining unserved communities in the following regions. A list of these communities is attached.

Yukon-Kuskokwim	16
Interior Alaska	12
Norton Sound	5
Northwest Arctic	2

An “unserved community” is defined by VSW as a community where less than 55% of the occupied homes in the community are served by piped or closed-haul systems. Conversely, please note that up to 45% of the occupied homes in “served communities” may be without safe water and sanitary service. These homes often present significant logistical challenges to providing service.

Can we get the number of homes served? (Rep Seaton)

Served homes	30,624	88.5%
Homes funded for service but not yet connected	378	1.1%
Unserved homes	2,836	8.3%
Unservable homes	748	2.1%
Total occupied non-seasonal homes in rural Alaska		34,586

The “unservable” category includes homes that cannot reasonably be served as result of the home’s challenging location or physical condition. These numbers include larger regional hub communities such as Kotzebue and Bethel.

What is the status of Alaska’s motor fuel tax? (Rep Muñoz)

According to the Department of Revenue’s 2013 Fall Revenue Sources Book, Alaska received approximately \$41.9 million in motor fuel tax in 2013.

That publication describes the tax as follows: “The motor fuel tax is imposed on all motor fuel sold, transferred or used within Alaska. Per gallon rates are \$0.08 for highway use, \$0.05 for marine fuel, \$0.047 for aviation gasoline, \$0.032 for jet fuel, and \$0.08 or \$0.02 for gasohol, depending on the season, location and EPA mandate. Motor fuel taxes are collected primarily from wholesalers and distributors licensed as qualified dealers. Various uses of fuel are exempt from tax, including fuel used for heating or flights to or from a foreign country. All revenue derived from motor fuel taxes is deposited in the General Fund. Sixty percent of the revenue attributable to aviation fuel sales at municipal airports is shared with the respective municipalities and is treated as Other Restricted Revenue.”

DEC does not currently receive any appropriations specifically related to the motor fuel tax.

Sincerely,



Tom Cherian
Director, Division of Administrative Services

Enclosures: Briefing on Geoduck Shipment Linked to China Shellfish Import Ban
 Rural Alaska Water and Sewer Facilities: “Unserved” Communities
 FY2013 SPAR Site Expenditures & Recovered Costs
 Letter to Senator Dunleavy re: Fees 10.24.2014
 Attachment A – Proposed User Fee Regulations
 Attachment B – Fee Calculation Methodology, History and Variables 10.23.13

Cc: Representatives Austerman and Stoltze, Co-Chairs, House Finance Committee
 David Teal & Danith Watts, Legislative Finance Division
 Christopher Clark, Staff to Representative Muñoz