

**ALASKA STATE LEGISLATURE**  
**HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

February 25, 2010

8:07 a.m.

**MEMBERS PRESENT**

Representative Bob Herron, Co-Chair  
Representative Cathy Engstrom Munoz, Co-Chair  
Representative John Harris  
Representative Wes Keller  
Representative Charisse Millett  
Representative Sharon Cissna  
Representative Berta Gardner

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

Representative Kyle Johansen

**COMMITTEE CALENDAR**

HOUSE BILL NO. 264

"An Act relating to the right-of-way for, and a state property tax exemption concerning, a pipeline transporting oil produced on the outer continental shelf to an established pipeline in the state."

- MOVED HB 264 OUT OF COMMITTEE

HOUSE BILL NO. 273

"An Act relating to general grant land entitlements for the City and Borough of Wrangell; and providing for an effective date."

- MOVED CSHB 273(CRA) OUT OF COMMITTEE

HOUSE BILL NO. 318

"An Act relating to public use of unregulated water systems."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 264

SHORT TITLE: PIPELINE FROM OUTER CONTINENTAL SHELF  
SPONSOR(s): REPRESENTATIVE(s) RAMRAS

01/08/10 (H) PREFILE RELEASED 1/8/10  
01/19/10 (H) READ THE FIRST TIME - REFERRALS  
01/19/10 (H) CRA, RES, FIN  
02/04/10 (H) CRA AT 8:00 AM BARNES 124  
02/04/10 (H) -- MEETING CANCELED --  
02/25/10 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 273

SHORT TITLE: MUNICIPAL GENERAL GRANT LAND  
SPONSOR(s): REPRESENTATIVE(s) P.WILSON

01/08/10 (H) PREFILE RELEASED 1/8/10  
01/19/10 (H) READ THE FIRST TIME - REFERRALS  
01/19/10 (H) CRA, FIN  
02/11/10 (H) CRA AT 8:00 AM BARNES 124  
02/11/10 (H) Heard & Held  
02/11/10 (H) MINUTE(CRA)  
02/25/10 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 318

SHORT TITLE: UNREGULATED POTABLE WATER SYSTEMS  
SPONSOR(s): REPRESENTATIVE(s) HARRIS

01/29/10 (H) READ THE FIRST TIME - REFERRALS  
01/29/10 (H) CRA, RES  
02/25/10 (H) CRA AT 8:00 AM BARNES 124

**WITNESS REGISTER**

REPRESENTATIVE JAY RAMRAS  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Spoke as the prime sponsor of HB 264.

PETE SLAIBY, Vice President  
Shell Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** During hearing of HB 264, provided a slide presentation entitled "Oil and Gas In The Arctic OCS."

CAM TOOHEY, Alaska Government and External Affairs Manager  
Shell Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** During hearing of HB 264, provided a slide presentation entitled "Oil and Gas In The Arctic OCS."

MARLA BERG, Liaison  
North Slope Borough  
Anchorage, Alaska

**POSITION STATEMENT:** During hearing of HB 264, answered questions.

KEVIN BANKS, Director  
Division of Oil and Gas  
Department of Natural Resources  
Anchorage, Alaska

**POSITION STATEMENT:** During hearing of HB 264, answered questions.

JIM GREELEY, Petroleum Property Assessor  
Tax Division  
Anchorage Office  
Department of Revenue (DOR)  
Anchorage, Alaska

**POSITION STATEMENT:** During hearing of HB 264, answered questions.

REPRESENTATIVE P. WILSON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Speaking as the sponsor of HB 273, provided an amendment to the committee.

TIMOTHY ROONEY, Borough Manager  
City and Borough of Wrangell  
Wrangell, Alaska

**POSITION STATEMENT:** During hearing of HB 273, requested the committee's support.

CAROL RUSHMORE, Economic Development Director  
City and Borough of Wrangell  
Wrangell, Alaska

**POSITION STATEMENT:** During hearing of HB 273, discussed the compromise between the City and Borough of Wrangell and DNR.

REED HARRIS, Staff  
Representative Peggy Wilson  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** During hearing of HB 273, answered questions.

DICK MYLIUS, Director  
Division of Mining, Land and Water  
Department of Natural Resources  
Anchorage, Alaska

**POSITION STATEMENT:** During hearing of HB 273, answered questions.

PETE FELLMAN, Staff  
Representative Harris  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 318 on behalf of the sponsor, Representative Harris.

#### **ACTION NARRATIVE**

[8:07:04 AM](#)

**CO-CHAIR BOB HERRON** called the House Community and Regional Affairs Standing Committee meeting to order at 8:07 a.m. Representatives Herron, Munoz, Cissna, and Gardner were present at the call to order. Representatives Harris, Keller, and Millet arrived as the meeting was in progress. Also in attendance was Representative Johansen.

#### **HB 264-PIPELINE FROM OUTER CONTINENTAL SHELF**

[8:07:21 AM](#)

CO-CHAIR HERRON announced that the first order of business would be HOUSE BILL NO. 264, "An Act relating to the right-of-way for, and a state property tax exemption concerning, a pipeline transporting oil produced on the outer continental shelf to an established pipeline in the state."

[8:08:06 AM](#)

REPRESENTATIVE JAY RAMRAS, Alaska State Legislature, speaking as the prime sponsor of HB 264, explained that HB 264 grew out of Congressional legislation understanding the sensitivity to environmental aspects of the North Slope. The Chukchi Sea and the Beaufort Sea are very important and highly prospective offshore oil drilling sites. The potential amount of revenue to

the State of Alaska from these sites isn't vast, but the volume of oil that would travel through the Trans-Alaska Pipeline System (TAPS) is vast. Therefore, as throughput of Alaska oil declines, it becomes less valuable through the pipeline and more costly to transport. If there was federal oil traveling through that same pipeline, Alaska's oil would be more affordable going to market. Therefore, the Congressional delegation has proposed legislation that would require a submerged pipeline for the movement of offshore oil in federal waters in both the Chukchi and Beaufort Seas and also remove the option to tanker. This legislation would provide the Department of Natural Resources (DNR) commissioner the power to expedite the review of right-of-way applications for the construction and operation of a submerged line as well as an above-ground gathering line to join the submerged line at the shore. Certain state tax breaks would be offered to prospective pipeline developers. In fact, this legislation would incentivize the onshore effort. Representative Ramras said that the benefit of this legislation is through delivery of oil in TAPS and the demonstration of the willingness to work with a new corporate partner that could potentially employ 35,000 Alaskans and increase revenue to the North Slope region and state. He explained that using pipelines would mitigate risk that would result from the operation of tankers in ice-laden seas.

[8:12:14 AM](#)

REPRESENTATIVE RAMRAS expressed his desire for two narratives to emerge from HB 264. The first narrative is the thoughtful and deliberate corporate methodology and governance behind Shell Oil's (Shell) actions, which aren't necessarily dictated by the court system. Shell, he related, is trying to be a responsible developer that is at the beginning of a 50-year plus relationship with Alaska. The second narrative is to shine a light on Mayor Itta and the Inupiat people and [encourage] sensitivity to the 10,000-year tradition of hunting bowhead whale. Both narratives are critical to understanding the importance of above-ground pipelines while finding a balance between extracting a valuable resource and being respectful of the Inupiat culture. He pointed out that Shell, one of the 50 largest businesses in the world, is integrating with one of the oldest cultures, the Inupiat, in the world. He expressed the need for less bullying by the court system, more sensitivity from the corporation, and more willingness to craft careful development by the Inupiat. He further expressed the need to continue the aforementioned conversation in order to sensitize

the members of the House to the dance between Shell Oil and the residents of the North Slope Borough.

[8:17:09 AM](#)

REPRESENTATIVE GARDNER inquired as to the meaning of Section 3.

REPRESENTATIVE RAMRAS informed the committee that some of the language in HB 264 was taken from the original Alaska Gasline Inducement Act (AGIA) legislation and some language deals with reimbursement from the state to the North Slope Borough regarding tax provisions.

[8:18:36 AM](#)

REPRESENTATIVE KELLER inquired as to what HB 264 does in a sentence.

REPRESENTATIVE RAMRAS specified that HB 264 is a tax incentive that allows for reimbursement by the state to the North Slope Borough for taxes for the cost of the above-ground pipeline property tax value as it meets the federal submerged pipeline. He related his understanding that Shell is many years away from an actual submerged pipeline. Therefore, the legislation should be less about the timing and more about understanding the narratives of the two principle groups involved.

CO-CHAIR HERRON characterized HB 264 as timely enabling legislation.

[8:21:06 AM](#)

REPRESENTATIVE GARDNER asked if a statutory change is required for DNR to expedite the review or action.

REPRESENTATIVE RAMRAS answered that he didn't know.

CO-CHAIR HERRON asked if this legislation is more like "a kick in the pants."

REPRESENTATIVE RAMRAS replied yes.

[8:21:37 AM](#)

REPRESENTATIVE HARRIS questioned whether the sponsor is carrying the legislation for the administration.

REPRESENTATIVE RAMRAS answered, "I thought this bill up all by myself." In further response to Representative Harris, Representative Ramras said that he didn't inquire with the administration regarding its stance on HB 264.

[8:23:57 AM](#)

CAM TOOHEY, Alaska Government and External Affairs Manager, Shell Alaska, referring to the slide presentation entitled "Oil and Gas In The Arctic OCS," reminded the committee that Shell has a fairly lengthy history in Alaska. In fact, Shell began exploring in the Cook Inlet region in the 1950s and the first discovery and first offshore platform was Middle Ground Shoal, the production of which continues today. Shell was also very active in the Gulf of Alaska Bering and Beaufort Seas in the mid 1980s and then the Chukchi Sea. Shell is predominately an offshore company worldwide. Of the 33 wells Shell has drilled in Alaska, 32 have been located in the water. In 1988, Shell sold its Alaska Cook Inlet leases and then re-entered Alaska, in the Beaufort Sea, in 2005. Mr. Toohey, referring to the slide entitled "Shell in Alaska Today," highlighted that Shell picked up about 135 leases in the Beaufort Sea for about \$85 million. These are federal leases and revenues. In 2008, Shell obtained 275 leases in the Chukchi Sea, which amounts to about \$2.1 billion. The aforementioned was the largest expenditure by any one company in a federal lease sale. He noted that other international oil and gas offshore companies with expertise in Arctic and sub-Arctic regions participated in the aforementioned lease sale, such as ConocoPhillips, Totale (ph), ENI, and Repsall (ph). To date, Shell has expended over \$3 billion on leases and equipment. Mr. Toohey related that Shell and others are so interested in the offshore in Alaska because of the estimated billions and billions of barrels of oil and trillions of cubic feet (tcf) of natural gas. Some of these numbers have been validated with the exploration that occurred in the mid 1980s and early 1990s. He noted that all of the discoveries in the 1980s and 1990s were stranded because of economics and technology. However, Shell believes those hurdles have been overcome. Still, Mr. Toohey reminded the committee that until exploration occurs and the wells are in place, the numbers are only estimates. He noted that he has copies available of the Institute of Social and Economic Research (ISER) study, which is an in-depth report on the opportunity in which Shell is trying to participate.

[8:27:15 AM](#)

PETE SLAIBY, Vice President, Shell Alaska, clarified that although the ISER report was commissioned by Shell, it was performed independently using independent data and was managed by ISER. The report encompassed the Beaufort Sea, the Chukchi Sea, and some activity in the North Aleutian Basin. The report assumes industry-wide participation. Referring to the slide entitled "Alaska OCS - Benefits To Alaska and the Nation," he highlighted that this project would provide over the 50-year life of the project about 35,000 jobs, with some swings occurring throughout. The project would extend the life of TAPS by decades. He related that with the gasline coming into play, the expenditure warrants every molecule of gas available being set aside to support the investment. Therefore, the need to input additional volumes from the offshore becomes more important. Another benefit of the Alaska Outer Continental Shelf (OCS) is the domestic energy security it would provide. During the April 2009 visit by the U.S. Department of Interior Secretary, it was related that the U.S. is importing close to 65 percent of its domestic oil. Therefore, the Alaska OCS presents a major opportunity. Referring to the slide entitled "Alaska's Future with OCS: Major Findings", Mr. Slaiby pointed out the estimated payroll of about \$72 billion [averaged over the 50-year period], which provides \$5.8 billion directly to the state and local government. He reminded the committee that the aforementioned is merely a snapshot in time. He then recalled Representative Ramras discussing lowering the pipeline tariff by increasing volumes. [The OCS] extends the life of the pipeline and thus would result in additional oil production over a longer period of time. Furthermore, [an OCS pipeline] provides an opportunity to bring additional oil into the pipeline. If the assumption is that there is a large Chukchi anchor, it could mean a pipeline from the Chukchi Sea to Pump Station 1 and 2 over the National Petroleum Reserve-Alaska (NPR-A). The aforementioned would bring in a lot of middle class leases on both state leases as well as the NPR-A.

8:30:36 AM

MR. SLAIBY, in response to Representative Harris, confirmed that the projected \$5.8 million direct to state and local government is over a 50-year period.

REPRESENTATIVE HARRIS highlighted that the [OCS] is federal waters, and thus the revenue to the state would be less than if it were on state land.

MR. SLAIBY answered that the aforementioned would be a correct assumption. He noted that the parameters ISER was given was that at this point there shouldn't be an assumption of revenue sharing. Shell is actively involved in the discussions in Washington, D.C., regarding the desire to have revenue sharing for the state.

[8:31:38 AM](#)

MR. SLAIBY, continuing with the slide entitled "North Slope Oil Production without OCS," explained that the chart illustrates the declining production in TAPS. The figures being used are from the U.S. Geological Service (USGS) regarding the possibility of oil, primarily from the Beaufort and Chukchi Seas. The important thing to understand, he said, is that the [OCS] oil will add much needed volumes to the oil pipeline. The impact of having the volume of oil in TAPS results in a travel time to Valdez that's four times faster. Therefore, keeping the volumes and the temperature in the pipeline at a higher level is hugely important. Although Shell had a false start in 2007, Shell is now "shovel ready." Since infrastructure is a major issue, Shell is bringing it all from Dutch Harbor. The aforementioned involves all the logistics, including transportation, oil spill response, and material supply.

MR. SLAIBY, referring to the slide entitled "Technical Solutions," then turned to what the solutions would look like. He stressed the importance of realizing that this isn't a Gulf of Mexico solution. The report considered the volumes and the break even economics to support a structure, which are significant. Drawing from the ISER report, he related that there would be approximately four to six structures in the Beaufort Sea and an equal amount in the Chukchi Sea and perhaps two structures in the North Aleutian Basin. The aforementioned, he reminded the committee, is merely a snapshot and it will likely be different. The point, he said, is that this project will require heavy, robust structures albeit fewer of them and there are fewer companies that could support such development. He explained that the structures illustrated on the slide entitled "Technical Solutions" and "Arctic Class Platforms" are concrete gravity-based structures. These structures sit solidly on the bottom and are designed to break-up multi-year ice and work on the principle of an upside down icebreaker such that the ice is thrown over the top and is broken on the way down. Clearly, multi-year ice and cold is of concern as are the shallow waters that are less than 150 feet. The technology has been proven for almost 50 years. The sea states and wind

conditions are probably less than other areas where Shell operates. He related that Shell has concrete gravity-based structures in the North Sea, some of which have been in place since 1975, in sea state and wind state that exceed what will occur in the Chukchi and Beaufort Seas. The key to the Chukchi Sea and Beaufort Sea structures is to design them in a robust fashion that will withstand the multi-year ice.

[8:35:30 AM](#)

CO-CHAIR MUNOZ asked if Shell has submerged pipe in the North Sea.

MR. SLAIBY replied yes, adding that it's all basically standard pipeline at this point.

[8:36:02 AM](#)

CO-CHAIR HERRON surmised then that these structures are similar yet unique in comparison to the North Atlantic structures. He questioned whether it was because the North Atlantic is deep in comparison to the [Chukchi and Beaufort Seas].

MR. SLAIBY clarified that it would depend upon the location of the drilling in the North Atlantic. There are floating solutions in the North Atlantic, in the area west of the Shetland Islands in the north of Scotland. These concrete gravity structures were utilized in the 1970s for the Scottish area of the North Sea as well as for some areas in the Norwegian sector. The concrete-gravity was convenient because they could be constructed locally in yards close to the areas. There are deep water fjords in Norway that supported this, he noted. [The concrete gravity-based structure] was an ideal value proposition for many areas, such as the Phillips field and others.

[8:37:13 AM](#)

MR. SLAIBY related that perhaps the most important thing Shell learned upon its return to Alaska can be summarized with the following statement made in 2007 by Mayor Itta, "Too much, too soon, too fast." Shell listened to Mayor Itta, the assembly, and the planning committees in Kotzebue and Barrow, which lead to Shell revising its programs. He opined that although Shell is confident it will meet shareholder and stakeholder concerns, Shell recognizes it's a "show me" world. Therefore, Shell is willing to move at slower pace, to gain confidence, and prove that it can drill the wells. Shell, he relayed, believes that

once it can drill some wells and demonstrate competence, discussions regarding pace can be held again. In response to the stakeholders in the North Slope Borough and the Northwest Arctic Borough, Shell has basically halved its program, at an economic cost. Bringing the infrastructure means that Shell can basically drill the second well for about the price of the first well. However, he opined that it's more important to gain confidence and a place in the community and to have business that spans decades. Each year Shell has well over 100 meetings with stakeholders in different areas, although statutorily Shell was expected to have 27 meetings. Shell has held what it refers to as "Offshore 101" in an attempt to educate folks about offshore [drilling]. Furthermore, Shell has spoken with a group of elders in the North Slope Borough regarding discharge and various environmental impacts.

8:40:02 AM

MR. TOOHEY, referring to the slide entitled "Legal Challenges," highlighted that some of the hurdles Shell faces are legal challenges. In 2007 Shell's activities in both the Chukchi and Beaufort Seas were halted by an injunction. Legal challenges have continued as federal permits have been issued. Currently, the main hurdle is the D.C. Circuit Court case regarding Shell's five-year lease plan. The U.S. Department of Interior is revising that plan and there should be some announcements regarding that revision shortly. Those revisions will have bearing on Shell's ability to drill in 2010 in the Chukchi Sea. He noted that although Shell's plans of exploration have been conditionally approved by the Minerals Management Service (MMS), they have been challenged in the 9th Circuit Court. Mr. Toohey pointed out that Shell has multiple other challenges to federal activities, including listings, critical habitat, and actual permits for Shell's activities on federal issues.

8:41:28 AM

REPRESENTATIVE HARRIS asked if most of the litigation is from environmental groups or is it mixed with litigation from indigenous individuals on the North Slope.

MR. SLAIBY answered that the majority of litigants in the recent round of litigation over the Beaufort and Chukchi Seas are environmental groups. However, he pointed out that although the Native village of Point Hope, the Inupiat community of the Arctic Slope, and the Alaska Eskimo Whaling Commission (AEWC) have decided to participate in litigation, a number of village

corporations have filed briefs in support of the offshore activity. He related his understanding that the Tikigaq Corporation in Point Hope would support [offshore activities] as would Olgoonik Corporation in the village of Wainwright, which is located in an area that's highly impacted. He noted that the North Slope Borough has chosen not to participate in this legislation because the mayor of the North Slope Borough believes he needs to continue to have a dialogue with the MMS in order to address the needs of his constituents.

[8:44:18 AM](#)

MR. TOOHEY, referring to the slide entitled "Regulatory Challenges - Permits," related that in addition to litigation Shell faces challenges with regard to the volume of permits. The main challenge is that most of the permits in the offshore are federal permits and haven't been issued in the more recent exploration activity timelines. Therefore, there is a lack of knowledge, capacity, and process within the federal agencies to issue these permits in a timely manner. At this point, Shell is waiting for the Environmental Protection Agency (EPA) air permit for the Chukchi Sea and a separate [EPA air permit] for the Beaufort Sea. Although those processes are nearing completion, Shell has to execute contracts for drilling activities in July, August, and September. Therefore, Shell is in a position of committing resources for an activity that may or may not be permitted. The permitting, he emphasized, is a huge challenge. Mr. Toohey related that Shell has the majority of the necessary permits, it's just that the EPA air permit is a key permit to obtain. Mr. Toohey explained that Shell's plan of exploration is conditionally approved and the MMS is the main authorizer of Shell's activities. In the conditional approval of Shell's offshore permit, MMS would list all the required subsequent permits. Therefore, that permit isn't usable until all the individual sub-permits are obtained. He reiterated that the majority of the sub-permits have been obtained, but the EPA air permit has not and is key to the process.

[8:46:27 AM](#)

CO-CHAIR HERRON requested that Mr. Slaiby explain the comment he related from Mayor Itta regarding MMS.

MR. SLAIBY related his understanding that during Mayor Itta's speech to the [AEWC] the mayor related that one of the reasons he chose not to participate in the lawsuit, specifically on the exploration plans, is because it eliminates his ability to

address issues with the MMS. Mr. Slaiby opined that Mayor Itta believes that not entering in the lawsuit provides him more leeway to continue what is becoming a better dialogue with MMS.

8:47:33 AM

MR. TOOHEY, continuing with the slide entitled "Challenges Met - Why Should Shell Be Allowed to Drill?", informed the committee that whether Shell drills or not it would continue the baseline science gathering process. In order to plan for success in development, data has to be collected now because the open water season is only 90 days long. Shell has undertaken a large science program that is being performed in conjunction with the North Slope Borough and others. The aforementioned program is in addition to the federal program and state resources that are spent on science. Oil spill response is an on-site program when drilling occurs. That program is a new, state-of-the-art program that hasn't been used in an exploration scenario like this anywhere in the world. The program was modeled after [a program] from Valdez. The oil spill response vessel supporting that program, an ice-breaker, is the first Arctic ice-breaker that has been built in the last 30 years. The program, which he characterized as robust, is manned and operated by locals on the North Slope. Mr. Toohey then informed the committee that the 2010 program is a one drill ship program without 3-D seismic, which is much different than the original proposal. Furthermore, it's a one-year program and thus after a year the stakeholders, community, agencies, and Shell will be able to re-evaluate whether the program needs to be adjusted to accommodate concerns.

8:49:37 AM

CO-CHAIR MUNOZ asked if Shell has worked with the communities to encourage local hire and opportunities.

MR. SLAIBY replied yes, adding that local hire is a large part of the value proposition and includes working with the village corporations, regional corporations, and Alaska companies in general. Since Shell is keenly aware that without revenue sharing, [local hire] is a major part of Shell's license to operate in the state. For example, the aforementioned oil spill response program is managed by the village corporation of Barrow, Ukpeagvik Inupiat Corporation (UIC), and works in both the Beaufort and the Chukchi Seas with opportunities to put satellites in surrounding communities. Furthermore, Shell has been hiring Alaskans to work in various aspects of the industry

in the Gulf of Mexico. Currently, there are 11 new operating professionals. When Shell begins drilling [offshore in Alaska], the Alaskans in the Gulf of Mexico will return to Alaska with great experience. The aforementioned, he indicated, illustrates Shell's commitment to build leadership with Alaskans in the state. In fact, about 60 percent of Shell's office [staff] is Alaskans.

[8:51:42 AM](#)

MR. TOOHEY, referring to the slide entitled "Summary," stated that although the resource is big, until exploration occurs there are only estimates. The federal leases that have been sold and the investment to explore those leases sums billions and billions of dollars. Therefore, it's a large investment that only a few companies in the world can make. Furthermore, it's a great opportunity for the state. In conclusion, he expressed hope that Shell will be able to explore those leases in 2010.

[8:52:23 AM](#)

CO-CHAIR HERRON recalled that the sponsor of HB 264 introduced it to elevate dialogue and exposure of this possible development. Co-Chair Herron then inquired as to Shell's position on HB 264.

[8:52:44 AM](#)

MR. TOOHEY pointed out that Shell is in a stage that's much removed from pipelines; rather, it's in a position to explore and determine if the resource is present. Therefore, Shell appreciates the dialogue at this stage because it provides Shell the opportunity to discuss the economic aspects of the program. Still, Shell remains cognizant that a dialogue regarding how to benefit from and relate to the offshore activities needs to occur in Alaska. Part of the aforementioned discussion includes the North Slope Borough. He, again, related his appreciation for the dialogue, but reiterated that Shell is focused on exploring and trying to find a resource.

[8:54:05 AM](#)

MR. SLAIBY said that Shell recognizes that property taxes are a large part of the value proposition for those most impacted by this proposal, including the whalers and the subsistence communities in both the North Slope Borough and the Northwest

Arctic Borough. Clearly, the amount of property tax the North Slope Borough would collect is significant. In fact [the ISER] report estimates [property tax in the amount of about] \$3.5 billion will be collected. The property tax revenue as well as job opportunities are an important part of the program for the local residents.

8:55:25 AM

REPRESENTATIVE HARRIS surmised that two of the main concerns of North Slope residents are regarding how to deal with the migrating whale population in terms of the noise and activity the pipeline operations cause and how to deal with a leak or spill. He then inquired as to how Shell is addressing those issues.

MR. SLAIBY agreed that the aforementioned as well as the cumulative impact, which is the ability of the structures to survive ice, are some of the issues of the North Slope residents. With respect to the insonification of water, Shell is in continual dialogue with the communities regarding the amount of noise it causes in the water. Further, Shell seeks to limit the amount [of noise it causes in the water] while working in conjunction with other industries. In the Beaufort Bay, in particular in Camden Bay, an agreement has been reached such that Shell ceases operations during the hunting season around Cross Island. In fact, Shell shuts down its rig and pulls it back to about the ice limits in order to let the whales move through. Mr. Slaiby emphasized that Shell seeks to avoid all contact with marine mammals that it can, which is part of Shell's incidental harassment authorization. Shell believes that there will be enough open water and that restraint can be used such that the communities will be satisfied. He then related his personal opinion that there have probably been six seismic surveys run at the same time in the Beaufort Sea and they have impacted whaling. As the Vice President of Shell, Mr. Slaiby said that the last thing he would want is to be accused of impacting the subsistence hunt in Barrow. The same can be said for industry as a whole.

MR. SLAIBY then addressed the oil spill response concern. He told the committee that 90 percent of Shell's energy is used to ensure no oil gets into the water, which is achieved by fully booming out the recovery booms when things such as routine fuel transfers occur. He emphasized that there have been large advances of recovery of oil in broken ice and ice conditions since the Exxon Valdez. The program Shell utilizes is three-

tiered such that [an icebreaker vessel] and a vessel of opportunity will be located at the drill site from the moment of operations. Furthermore, midway between the shore and the drilling operations there will be an oil spill response barge that has oil spill recovery booming techniques. Moreover, in the impacted communities equipment and trained personnel will be put in place for shore-based activities. The aforementioned is unprecedented with respect to any type of exploration drilling. Mr. Slaiby emphasized that Shell has an impressive record with respect to not having blow outs. Although there may well be a certain amount of oil that enters the water during these types of endeavors, Shell believes it will be minimal and the possibility of a blow out in this area would be extremely remote.

[9:00:46 AM](#)

REPRESENTATIVE HARRIS related that he lived through the 1989 Exxon Valdez oil spill when the company said it had [the same] in place [for spills]. However, it wasn't available for use. Representative Harris agreed with the earlier comments that Shell has to prove itself. He said that although he is supportive of what Shell is doing, the lesson learned with the Exxon Valdez spill is that the need to be prepared can't be short changed.

MR. SLAIBY stated his agreement. He said that in his 30 years on the production side he has chased oil, the vast majority of which has been other's oil. The resources of Shell are deployed to be used by any group. With the amount of traffic and transit in the Arctic, Shell's assets will be available for use by anyone for any cause. Mr. Slaiby reiterated his agreement with Representative Harris, and added that beyond the capital investments it's important to have people ready to respond. Therefore, vast amounts of Shell's energy will be put into oil spill response drills in order to ensure that people are trained, the equipment is checked and operable, and the materials are available. Shell, he said, is prepared to stand ready for any group to judge Shell's preparedness to operate in this environment.

[9:03:18 AM](#)

CO-CHAIR HERRON asked if the North Slope Borough will remain silent on HB 264.

[9:03:31 AM](#)

MARLA BERG, Liaison, North Slope Borough, clarified that at this point the borough is monitoring HB 264.

9:04:37 AM

KEVIN BANKS, Director, Division of Oil and Gas, Department of Natural Resources, began by noting his agreement with earlier statements that the Arctic OCS is a place of vast oil and gas wealth. He then extended an offer to the sponsor to provide more detailed information regarding the U.S. Department of Interior's estimates of undiscovered resources. The Arctic OCS is also a location where current leasing has occurred with companies other than Shell. In the sale process that has been conducted by the U.S. Department of Interior, there have been new entrants to the Alaska Arctic, which he characterized as a good sign in terms of the diversification of the state's oil industry. With regard to tankering, he recalled his experience working with MMS when it conducted routine petroleum technology assessments that were conducted by fairly large and responsible engineering firms from around the country. Those assessments considered the possibility that tankers could berth in manmade atolls in the Chukchi Sea to take on cargos and then move them to the Aleutian Islands for transshipment into larger ships. He acknowledged that every time oil is picked up and moved, there's the potential for a spill. Tankering is an alternative that industry can consider, but pipelining oil to shore is a much better alternative.

MR. BANKS then turned to HB 264 specifically. The term "expedite" in Section 1 is preferable to other language because statute already specifies timelines. With regard to rights-of-way in the state, Mr. Banks explained that typically those are obtained through the pipeline coordinator's office using reimbursable funds provided by the applicant for the right-of-way. Therefore, there's an automatic mechanism by which the resources required to [fund] the permitting are paid for by the applicant. In terms of the kinds of revenue being discussed, Shell mentioned that there is about \$3.5 billion related to the property tax that is the subject of HB 264. Of the \$3.5 billion, about 95 percent of that would go to the North Slope Borough under the current rules. He explained that normally the state collects tax up to 20 mills in the state and that revenue is shared with the local government, specifically the local government would receive about 95 percent of the \$3.5 billion and the remaining 5 percent would go to the state. Section 3 of HB 264, he related, will only impact the share the state

collects. In terms of direct revenue, which is addressed in the fiscal note, there are direct revenues from the OCS development to the state in the form of royalties, bonus bids, and rents that are paid to the federal government within three to six miles of shore. The aforementioned land in Alaska is subject to revenue sharing with the state such that the state receives 27 percent of those revenues.

[9:10:13 AM](#)

REPRESENTATIVE HARRIS asked if Mr. Banks could describe what real and personal property are.

MR. BANKS said he couldn't answer because he doesn't have expertise in the area of taxes.

[9:10:52 AM](#)

REPRESENTATIVE CISSNA highlighted that the state is experiencing a situation in which change is occurring faster than it ever has. She then asked if the division deals with the knowledge of when the permafrost will be present and the weather of a given time.

MR. BANKS replied yes. He explained that prior to permitting a project, a best interest finding by the commissioner has to be conducted, and potential environmental impacts addressed. However, it's not the same process the federal government goes through under the National Environmental Policy Act through the environmental impact statement (EIS) process and the extensive analysis that has to be conducted by federal agencies. He attributed that to the fact that the legislature decided that oil development on state lands is in the best interest of the state, and thus the state, in its findings, embellishes and describes the relative cost of benefits. He reiterated that the legislature has already decided that oil and gas development is good for the state. In further response to Representative Cissna, Mr. Banks clarified that the state can't develop its resources with abandon and at the expense of the environment.

[9:13:44 AM](#)

REPRESENTATIVE GARDNER asked if HB 264 changes the current practice of right-of-way actions being processed through the pipeline office and paid for by the applicant. She then requested further elaboration on the real property tax provision in Section 3 of the legislation.

MR. BANKS related his understanding that the term "expedite" means to him a nudge to start the process as soon as possible. However, HB 264 wouldn't change any existing processes in terms of reimbursable cost type permitting. Mr. Banks then offered that the thrust of Section 3 is to exempt the revenue that is for property taxes to the North Slope Borough that would be impacted by HB 264.

[9:15:41 AM](#)

JIM GREELEY, Petroleum Property Assessor, Tax Division, Anchorage Office, Department of Revenue, in further response to Representative Gardner, explained that [the department] was unclear as to the intent of Section 3 when developing the fiscal note. Therefore, the fiscal note relates two scenarios. He explained that the state shares property tax collections with the local municipalities. Currently, of the 20 mills levied the North Slope Borough has been collecting about 18.5 mills and the state has been collecting 1.5 mills historically, and therefore about .015 percent would go to the state. The .015 percent is what the state would give up under the first scenario of the fiscal note. The second scenario accounts for the potential of the taxpayer to use the payment to the North Slope Borough as a credit against other tax liabilities that they may have. He reminded the committee that normally property taxes are such that the tax, a 20 mill tax, is levied by the state and the borough can then tax up to its mill rate for the property that falls within its jurisdiction. The payment by the taxpayer to the local jurisdiction is then a credit to the amount owed the state. Under HB 264, the amount owed by the state is already exempted, and therefore a broad interpretation of Section 3 could include the amount paid to the North Slope Borough as a credit potentially to other types of property. Still, the department is unsure of the intent of HB 264.

[9:19:00 AM](#)

REPRESENTATIVE HARRIS asked if the language on page 3, lines 3-4, is an attempt to encourage the development of a pipeline onshore and to discourage tanker operations that would take oil from offshore rigs and not place it in the pipeline.

MR. GREELEY responded that although the aforementioned seems to be a reasonable interpretation of the intent of the legislation, he is hesitant to speak for the sponsor.

[9:20:57 AM](#)

CO-CHAIR HERRON announced the intent of the co-chairs to forward HB 264 from committee today.

[9:21:12 AM](#)

CO-CHAIR MUNOZ pointed out that there is quite a difference in the potential tax liability under scenarios 1 and 2. Under scenario 1, the potential tax liability is \$8-\$16 million, while under scenario 2 the tax liability is \$118-\$214 million. She then opined that the sponsor's intent seems to be to reach scenario 2.

REPRESENTATIVE RAMRAS related his intent to work with DOR to clarify Section 3. He then opined that it's very early to assess where the valuation of the pipeline goes. Still, Representative Ramras related his belief that an above-ground pipeline will provide the ability for many marginally economic fields on the way to TAPS to be accessed and potentially provide great value to the state. Although Representative Ramras recognized that HB 264 is less likely to pass through both legislative bodies, it will hopefully lead to provocative discussions.

[9:23:04 AM](#)

REPRESENTATIVE HARRIS asked if his understanding that the intent of HB 264 is to protect the interest of the local community on the North Slope is correct.

REPRESENTATIVE RAMRAS replied yes.

REPRESENTATIVE HARRIS then encouraged passage of HB 264.

[9:23:58 AM](#)

REPRESENTATIVE CISSNA stated that she identifies very much with Mayor Itta's comments because what [this legislation] is addressing is something the legislature needs to grasp. The fact, she said, is that the climate in Alaska is changing dramatically. Furthermore, the change is occurring faster [near the OCS] than elsewhere. The residents of these communities are dependent on oil and gas for heating and transportation needs. Although these communities weren't initially driven by money, they are dependent upon it now. Also, these communities are having a more difficult time obtaining fuel. For instance,

communities that have fuel delivered by river are feeling the impact of lower water levels that cause the river not to reach as far and thus the fuel has to be flown to these communities. The cost for such is high. Representative Cissna emphasized that this committee is charged with helping these communities face the future in a sustainable manner. She then suggested that the state legislature needs to address the challenge that the state lacks a diverse economy and is dependent on oil and gas to sustain government. The fiscal policy subcommittee, she related, is reviewing the fact that Alaska doesn't do a good job building alternative industry. Alaska, she suggested, is in many ways acting as a colonial state because multi-nationals actually support the state. This issue needs to be addressed by the legislature, she emphasized.

REPRESENTATIVE RAMRAS said that he shares the sensitivity of Representative Cissna. However, he related his belief that the community of Barrow is far more durable and time tested than the urban centers of Alaska.

[9:29:33 AM](#)

REPRESENTATIVE MILLETT characterized HB 264 as timely legislation and related that she is excited at the prospects of offshore production. She then commended Shell. Representative Millet then related that she is very sensitive to sustainable living and a subsistence lifestyle because her mother lived such a life. Shell, she opined, has done an incredible job in terms of engaging the North Slope community and has set the bar high for future developers. She further opined that Shell is a good partner for the state.

[9:31:14 AM](#)

REPRESENTATIVE GARDNER remarked that she has found today's presentation to be fascinating. Although she, too, commended Shell's efforts to be sensitive to communities, she said she didn't feel she understands what the legislation does, particularly in terms of the tax incentives. Representative Gardner remarked that although a pipeline is better for the state than tankers, she hasn't heard any evidence that a tax incentive is necessary for such a decision to be made. Obviously, as the testimony has related, there is great interest in the resources in the Arctic seas. Furthermore, she noted that she hasn't heard that the property tax is a burden. Therefore, she announced that she isn't ready to forward HB 264 from committee.

9:32:52 AM

REPRESENTATIVE HARRIS surmised that everyone understands that the issue of climate change is real, regardless of one's belief of the cause. The Arctic ice is receding and there is a good chance that in 10-15 years there will be a clear year round path up the western side of Alaska to the North Slope. The aforementioned will allow for tanker traffic as well as other traffic. He emphasized that it's not in the best interest of Alaska to have tanker traffic go to the North Slope and not use Alaska's in-state facilities, which is a real possibility. Representative Harris said:

We want to do whatever we can to make it more attractive to bring that oil and gas onshore and use the facilities that we have, and hopefully will have for many, many years, to the benefit of Alaska, Alaska residents, jobs and all that sort of thing. Rather than do what we've done in this state for a long time, and move our natural resources out of state without any change .... That could be a possibility. I believe that part of this bill may be an encouragement to try and keep that from happening.

9:34:42 AM

REPRESENTATIVE KELLER said he is encouraged that Shell is still present, in spite of the setbacks it has faced. He echoed earlier statements regarding appreciating Shell's approach and being sensitive to the environment and the culture.

9:35:25 AM

CO-CHAIR HERRON said he didn't believe HB 264 will get all the way to the governor. Although Co-Chair Herron understood the concerns of committee members and the desire to have the discussion in this committee, the wishes of the sponsor will be respected. To that end, he requested a motion.

9:36:18 AM

CO-CHAIR MUNOZ moved to report HB 264 out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE GARDNER objected.

[9:36:33 AM](#)

A roll call vote was taken. Representatives Millet, Harris, Keller, Herron, and Munoz voted in favor of reporting HB 264 from committee. Representatives Cissna and Gardner voted against it. Therefore, HB 264 was reported out of the House Community and Regional Affairs Standing Committee by a vote of 5-2.

**HB 273-MUNICIPAL GENERAL GRANT LAND**

[9:38:10 AM](#)

CO-CHAIR HERRON announced that the next order of business would be HOUSE BILL NO. 273, "An Act relating to general grant land entitlements for the City and Borough of Wrangell; and providing for an effective date."

[9:38:15 AM](#)

REPRESENTATIVE P. WILSON, Alaska State Legislature, speaking as the sponsor of HB 273, explained that HB 273 would correct a deficit in the formation process that resulted in a minimal land entitlement, 1,952 acres, for the City & Borough of Wrangell (CBW). The aforementioned would be accomplished by increasing CBW's municipal land entitlement. The land grant requested in HB 273 was derived from the average percentage of the land grants that were given to other boroughs. However, the legislation was held in the House Community and Regional Affairs Standing Committee in order to allow CBW and the Department of Natural Resources (DNR) to agree on a specific acreage that would be appropriate for the CBW's municipal land grant. Negotiations between CBW and DNR resulted in a proposed amendment that would entitle CBW to 6,506 acres. The additional acreage, she related, is important to provide for the needs of the borough and address the economic, cultural, and resource-based goals of the CBW residents. Therefore, she encouraged the committee to adopt the amendment and report the legislation from committee.

[9:40:51 AM](#)

CO-CHAIR MUNOZ moved that the committee adopt the amendment labeled 26-LS1292\A.1, Cook, 2/24/10, which read:

Page 2, line 6:

Delete "18,675"  
Insert "6,506"

CO-CHAIR HERRON objected for discussion purposes.

[9:42:37 AM](#)

TIMOTHY ROONEY, Borough Manager, City and Borough of Wrangell, related his belief that all would believe that CBW shouldn't be penalized because of the lack of state land in Southeast Alaska. The existing formula for land grant entitlements worked for other communities because there was enough available state land. However, CBW is unique and thus he requested the committee's support for the legislation.

[9:43:46 AM](#)

CAROL RUSHMORE, Economic Development Director, City and Borough of Wrangell, informed the committee that since its last meeting on HB 273, CBW has met with DNR numerous times to work out the entitlement amount. The CBW had selected about 9,000 acres, but about a week ago the issue of the sustainable yield calculation for the annual allowable timber harvest arose. Since CBW is a timber community, it understands the state's need for the aforementioned. Therefore, CBW carefully reviewed the [9,000 acres] of land it selected in terms of how it could work with DNR. There were three areas of concern to DNR. One area of concern was the Bradfield area, which has some state forest lands. The CBW has been pursuing the Bradfield Road for over 60 years; the area is extremely important to CBW from a port and road corridor standpoint. Another area of concern for DNR was the Crittenden Creek area, which has some valuable timber. However, it's right across from the Wrangell community and thus would be a logical expansion for the borough from a commercial, settlement, and recreational standpoint. Still, CBW decided to reduce its selection in that area. The agreement was that as DNR pursues timber sales in the Crittenden Creek area, the log transfers to roads may help CBW in accessing its area. The CBW will continue to discuss the aforementioned with DNR. The third area of concern was Wrangell East, which is commonly referred to as the Back Channel. This area is a long strip of land that DNR, over the last few years, has used for timber sales to benefit CBW. The CBW is still looking at some pockets of timber and there is an existing settlement and the potential for other settlements. Moreover, the Wrangell East area is 10 minutes from town and two roads from town access the area. She related that CBW is working with DNR regarding potentially linking the

two roads and providing access to some of the lands CBW is considering in that area. Mr. Rushmore opined that CBW has worked with DNR to provide the sustainable yield calculation as well as the things that CBW needs to move forward in the future.

[9:46:42 AM](#)

CO-CHAIR HERRON asked if CBW has, through the aforementioned negotiations, reserved acreage for discussion in the future, or is the 6,506 acres all CBW will receive.

MS. RUSHMORE related her understanding that this is CBW's one chance to select the lands that it's seeking.

REPRESENTATIVE HARRIS commented that CBW is giving up a lot.

MS. RUSHMORE interjected that she doesn't know the mechanics of this and thus would defer to Representative P. Wilson.

[9:47:41 AM](#)

CO-CHAIR MUNOZ explained that the land grant allocations are set at 10 percent of vacant [unappropriated unreserved (VUU)] state lands, which for CBW would've originally amounted to approximately 1,800 acres. The CBW went through a process to identify additional lands outside of those VUU lands that resulted in CBW's request for 18,675 acres. The department voiced serious concern for that large amount of acreage. The requested land entitlement in the earlier offered amendment recognizes a compromise between all of the parties. Therefore, Co-Chair Munoz related her support for the change embodied in the amendment.

[9:48:37 AM](#)

CO-CHAIR HERRON pointed out that in 50 years things could change and CBW may have a serious need for land. Therefore, he questioned why CBW would forever give up acres to which it has a right merely because of these negotiations.

CO-CHAIR MUNOZ deferred to DNR regarding the process that led to the [6,506 acres].

[9:49:59 AM](#)

REED HARRIS, Staff, Representative Peggy Wilson, Alaska State Legislature, reminded the committee that there is a formula by

which when boroughs are formed they receive 10 percent of VUU designated land. The difficulty in CBW is that 97.28 percent of the land in Wrangell is federal land as most of the island is part of the Tongass National Forest. Therefore, CBW's land grant entitlement was very small, approximately 1,900 acres. Upon research by CBW's consultant, it was discovered that on average boroughs receive 1.13 percent of the lands within the borough as the entitlement. However, CBW's land grant entitlement was .12 percent and thus significantly less than that average. Using CBW's total land plus the 1.13 percent resulted in the request for 18,675 acres.

[9:51:34 AM](#)

DICK MYLIUS, Director, Division of Mining, Land and Water, Department of Natural Resources, began by thanking CBW for being willing to work out this issue. The acreage in the amendment works for DNR and CBW. He reminded the committee that DNR was concerned with the formula utilized to arrive at the 18,675 acres because it established a troubling precedent. A precedent that the department feared may result in other boroughs seeking larger land entitlements. Furthermore, DNR believes that the original request in HB 273 would've consumed too much state land, 57 percent, and would've caused a tremendous impact on the state's timber program throughout Southeast Alaska. The meetings between CBW and DNR educated DNR regarding CBW's needs and CBW regarding the impacts of the land selections on the state's timber program and other programs. The two parties came to an agreement as related in the earlier offered amendment. Mr. Mylius related that DNR supports the 6,506 acre request by CBW. He clarified that the aforementioned acreage amount doesn't reduce the borough's entitlement per the formula in statute. In fact, the 6,506 acres is about three times the land entitlement it would receive per existing law.

[9:54:16 AM](#)

CO-CHAIR HERRON withdrew his objection to the amendment. There being no further objection, the amendment [text provided previously] was adopted.

[9:54:32 AM](#)

CO-CHAIR MUNOZ moved to report HB 273, as amended, out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 273(CRA) was

reported from the House Community and Regional Affairs Standing Committee.

**HB 318-UNREGULATED POTABLE WATER SYSTEMS**

[9:55:10 AM](#)

CO-CHAIR HERRON announced that the final order of business would be HOUSE BILL NO. 318, "An Act relating to public use of unregulated water systems."

[9:55:27 AM](#)

REPRESENTATIVE HARRIS, speaking as sponsor of HB 318, informed the committee that the community of Salcha had expressed concerns regarding a public water system in the area. The legislation attempts to address this matter.

[9:56:48 AM](#)

PETE FELLMAN, Staff, Representative Harris, Alaska State Legislature, speaking on behalf of the sponsor, pointed out that the committee packet includes a proposed committee substitute (CS) that corrects a drafting error on page 1, lines 13-14, such that it would define "public water system" as follows: "means a system for the provision of water to the public for human use or consumption".

[9:57:43 AM](#)

CO-CHAIR HERRON moved to adopt CSHB 318, Version 26-LS1357\R, Bullard, 1/29/10, as the working document. There being no objection, Version R was before the committee.

[9:57:53 AM](#)

MR. FELLMAN began by relating that water is a basic need and right for everyone in America. However, it's a problem if the ability to obtain water revolves around an unfunded mandate. He related that due to the state adopting [federal] publications in its regulations, the state's water regulations are fairly complicated. In 1974 Congress enacted the Safe Drinking Water Act to protect the water source and to protect people from potential disease from the water source and the systems providing the water. However, that Act became an unfunded mandate, particularly for those communities with a hardship that can't afford to upgrade the water system. Therefore, in 1996

Congress clarified language [in the Safe Drinking Water Act] such that it provided funds and guidance for [water systems] at the community level.

MR. FELLMAN then addressed the definition of a "public water system." In the Code of Federal Regulations (CFR) 40 §141.2, the term "public water system" is defined as follows: "means a system for the provision to the public of water for human consumption through pipes or other constructed conveyances, if such system has at least fifteen service connections or regularly serves an average of at least twenty-five individuals daily for at least 60 days out of that year." The aforementioned is from the Environmental Protection Agency's (EPA) own document. The question, he said, revolves around the "25 individuals daily" language. Referring to e-mails Salcha received from the Department of Environmental Conservation (DEC), he highlighted that originally Salcha was told that the well would be regulated if 25 or more individuals per day used the well. However, the department later said that the use couldn't exceed 25 people per month. The EPA's definition, however, clearly states 25 individuals daily. Therefore, the interesting thing is that 24 individuals can use the well without a problem, but when the count reaches 25 individuals it's of concern in terms of regulations.

[10:03:46 AM](#)

CO-CHAIR MUNOZ asked whether the 25 individual standards is an EPA or DEC standard.

MR. FELLMAN explained that when Alaska adopted CFR 40 into Alaska law, it became Alaska's standard. Therefore, the state must meet the minimum standard specified in the CFR or can implement a higher, more restrictive standard.

[10:04:36 AM](#)

MR. FELLMAN then turned to the definition of a "constructed conveyance," which under EPA's definition means "broadly interpreted to refer as a manmade conduit such as ditches, culverts, waterways, flumes, mine drains, and canals." The language although speaking about transferring water, doesn't speak to wells.

[10:06:36 AM](#)

MR. FELLMAN opined that upon researching this issue with Salcha's well, it seems that DEC had the opportunity to give variances under federal law rather than shutting down the well. Mr. Fellman emphasized: "This well has never tested positive for anything, but under federal law, which we adopt, they'll set standards for allowable contaminants and let people drink it. But, here we have a well that has had no contaminants, and we can't let it be used by the public."

[HB 318 was held over.]

[10:07:37 AM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 10:07 a.m.