

**ALASKA STATE LEGISLATURE  
SENATE RESOURCES STANDING COMMITTEE**

March 28, 2011

3:39 p.m.

**MEMBERS PRESENT**

Senator Joe Paskvan, Co-Chair  
Senator Thomas Wagoner, Co-Chair  
Senator Bill Wielechowski, Vice Chair  
Senator Bert Stedman  
Senator Lesil McGuire  
Senator Hollis French  
Senator Gary Stevens

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

Senator Cathy Giessel

**COMMITTEE CALENDAR**

SENATE BILL NO. 85

"An Act providing for a tax credit applicable to the oil and gas production tax based on the cost of developing new oil and gas production; and providing for an effective date."

- HEARD & HELD

CS FOR HOUSE JOINT RESOLUTION NO. 19(RES)

Urging the United States Senate to ratify the United Nations Convention on the Law of the Sea.

- MOVED CSHJR 19(RES) OUT OF COMMITTEE

SENATE CONCURRENT RESOLUTION NO. 9

Creating the Taku River Task Force as a joint legislative task force.

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 85

SHORT TITLE: TAX CREDIT FOR NEW OIL & GAS DEVELOPMENT  
SPONSOR(s): SENATOR(s) WAGONER

02/07/11 (S) READ THE FIRST TIME - REFERRALS  
02/07/11 (S) RES, FIN  
02/25/11 (S) RES AT 3:30 PM BUTROVICH 205  
02/25/11 (S) Heard & Held  
02/25/11 (S) MINUTE(RES)  
02/28/11 (S) RES AT 3:30 PM BUTROVICH 205  
02/28/11 (S) Heard & Held  
02/28/11 (S) MINUTE(RES)  
03/07/11 (S) RES AT 3:30 PM BUTROVICH 205  
03/07/11 (S) Heard & Held  
03/07/11 (S) MINUTE(RES)  
03/09/11 (S) RES AT 3:30 PM BUTROVICH 205  
03/09/11 (S) Heard & Held  
03/09/11 (S) MINUTE(RES)  
03/25/11 (S) RES AT 3:30 PM BUTROVICH 205  
03/25/11 (S) Heard & Held  
03/25/11 (S) MINUTE(RES)  
03/28/11 (S) RES AT 3:30 PM BUTROVICH 205

BILL: HJR 19

SHORT TITLE: URGING US TO RATIFY LAW OF THE SEA TREATY  
SPONSOR(s): ECON. DEV., TRADE & TOURISM

03/07/11 (H) READ THE FIRST TIME - REFERRALS  
03/07/11 (H) EDT, RES  
03/08/11 (H) EDT AT 10:15 AM BARNES 124  
03/08/11 (H) Moved CSHJR 19(EDT) Out of Committee  
03/08/11 (H) MINUTE(EDT)  
03/09/11 (H) EDT RPT CS(EDT) 7DP 1DNP 1NR  
03/09/11 (H) DP: GARDNER, THOMPSON, MUNOZ, JOULE,  
TUCK, FOSTER, HERRON  
03/09/11 (H) DNP: KELLER  
03/09/11 (H) NR: OLSON  
03/14/11 (H) RES AT 1:00 PM BARNES 124  
03/14/11 (H) Moved CSHJR 19(RES) Out of Committee  
03/14/11 (H) MINUTE(RES)  
03/16/11 (H) RES RPT CS(RES) 5DP 1DNP 2NR  
03/16/11 (H) DP: GARDNER, MUNOZ, P.WILSON, HERRON,  
SEATON  
03/16/11 (H) DNP: DICK  
03/16/11 (H) NR: KAWASAKI, FEIGE  
03/16/11 (H) TRANSMITTED TO (S)  
03/16/11 (H) VERSION: CSHJR 19(RES)  
03/18/11 (S) READ THE FIRST TIME - REFERRALS

03/18/11 (S) RES  
03/28/11 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SCR 9

SHORT TITLE: TAKU RIVER TASK FORCE

SPONSOR(s): SENATOR(s) EGAN

03/28/11 (S) READ THE FIRST TIME - REFERRALS  
03/28/11 (S) RES  
03/28/11 (S) RES AT 3:30 PM BUTROVICH 205

#### **WITNESS REGISTER**

CATHY FORESTER, Commissioner  
Alaska Oil and Gas Conservation Commission  
Anchorage, AK

**POSITION STATEMENT:** Answered questions related to SB 85.

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

**POSITION STATEMENT:**

REPRESENTATIVE BOB HERRON  
Alaska State Legislature  
Juneau, AK

**POSITION STATEMENT:** Introduced HJR 19 on behalf of the House Special Committee on Economic Development, Trade, and Tourism.

CAITLYN ANTRIM, Executive Director  
Rule of Law Committee for the Oceans  
Arlington, Virginia

**POSITION STATEMENT:** Provided a summary of the United Nations Convention on the Law of the Sea and identified areas of interest.

CATHY WASSERMAN, Executive Director  
Alaska Municipal League (AML), stated that AML passed a resolution urging Congress to ratify UNCLOS because it would enhance the economic development of Alaska municipalities.

**POSITION STATEMENT:** Testified in support of HJR 19 urging Congress to ratify the Law of the Sea treaty.

JESSE KIEHL, Staff  
Senator Dennis Egan  
Alaska State Legislature

Juneau, AK

**POSITION STATEMENT:** Introduced SCR 9 on behalf of the sponsor.

KIRK HARDCASTLE, Commercial Fisherman and  
Owner/Operator

Taku River Reds

Juneau, AK

**POSITION STATEMENT:** Supported SCR 9.

CHRIS CASEY, Fly Fishing Guide

**POSITION STATEMENT:** Supported SCR 9.

NEIL MACKINNON, Secretary

Taku Users Group

Juneau, AK

**POSITION STATEMENT:** Opposed SCR 9.

CHERI RUDOLPH, President

Taku River Recreational Association (

Juneau, AK

**POSITION STATEMENT:** Opposed SCR 9.

NIEL ATKINSON, representing himself

Juneau, AK

**POSITION STATEMENT:** Opposed SCR 9.

CARLEEN CONWAY, representing herself

Juneau, AK

**POSITION STATEMENT:** Opposed SCR 9.

ERROL CHAMPION, representing himself

Juneau, AK

**POSITION STATEMENT:** Opposed SCR 9.

JEV SHELTON, representing himself

Juneau, AK

**POSITION STATEMENT:** Supported SCR 9.

RON SOMERVILLE

Territorial Sportsmen Inc.

Juneau, AK

**POSITION STATEMENT:** Opposed SCR 9.

#### **ACTION NARRATIVE**

[3:39:57 PM](#)

**CO-CHAIR THOMAS WAGONER** called the Senate Resources Standing Committee meeting to order at 3:39 p.m. Present at the call to order were Senators French, McGuire, Wielechowski, Stedman, Paskvan and Wagoner.

**SB 85-TAX CREDIT FOR NEW OIL & GAS DEVELOPMENT**

[3:40:48 PM](#)

CO-CHAIR WAGONER announced the consideration of SB 85, and stated that he was maintaining his objection to version E.

[3:41:25 PM](#)

CATHY FORESTER, Commissioner, Alaska Oil and Gas Conservation Commission (AOGCC), said she would respond to questions that were submitted earlier. As to whether the AOGCC could accept the current definition of "sustained production," she said the answer was yes. As to how they feel about using the term "pool" as the defining mechanism for a new discovery, she said they don't feel at all good about that. She related that the AOGCC asked the Interstate Oil and Gas Compact Commission to query other states and the two that responded warned against using "pool" because a development has to be well underway before it's possible to ascertain whether there is more than one pool or just one blanket pool. To incentivize more than just one operator to explore and develop, the suggestion was to use some other than means to define a new discovery, but nobody offered a good alternative.

CO-CHAIR WAGONER asked if the AOGCC talked to anybody in North Dakota.

MS. FORESTER replied the states that responded were South Dakota and Indiana.

CO-CHAIR WAGONER reported that someone from North Dakota told him their defining mechanism for a new discovery was two sections of land.

MS. FORESTER responded that AOGCC supports using a reasonable unit of land, and couldn't give a better answer than that until there was some production and a fair number of wells.

SENATOR WIELECHOWSKI noted that Great Bear testified there were multiple strata, and asked if she foresaw difficulties arising if a lease had three different strata of oil formations.

MS. FORESTER explained that each stratum should be viewed as an individual pool, because they wouldn't have connectivity or communication.

CO-CHAIR WAGONER added that North Dakota addresses that situation the same way. The only difference he found was that if the oil is on two different levels within the two-section boundary, there would be six wells instead of three.

MS. FORESTER reiterated that each stratum would be a pool.

SENATOR WIELECHOWSKI asked if one well could theoretically deal with three pools.

MS. FORESTER answered yes, but an AOGCC permit to co-mingle the pools would be necessary. Co-mingling would require proof that the recovery wouldn't create waste; the production would have to be as good as or better than if each pool was produced separately.

SENATOR WIELECHOWSKI referenced page 3, lines 16-18, that talks about qualified development expenditures, and asked if operating expense (opex) might be included in that type of exploration well.

MS. FORESTER answered it was the committee's prerogative to define things in the bill, but in general operating costs are the costs of producing. Operating costs typically begin once the well starts to operate, and includes things like performing a workover to fix broken wells, paying an operator to turn valves and feeding people who work in the camp. The costs up to the point that production begins would be allocated to exploration and development.

CO-CHAIR PASKVAN asked hypothetically how many wells could be drilled in 365 days at the Bakken Shale Oil Field.

MS. FORESTER replied she didn't have enough familiarity with that operation to give an answer.

CO-CHAIR PASKVAN asked where he could get an answer.

MS. FORESTER offered to ask the question of Lynn Helms, her counterpart at IOGCC.

[3:49:23 PM](#)

CO-CHAIR PASKVAN clarified that he wanted to know how many wells each of 20 drill rigs could drill in one year's time. He explained that that was where they would define the qualified development expenditure as to whether or not production was going on.

SENATOR WIELECHOWSKI asked if it presented a challenge to define heavy oil in a pool.

MS. FORESTER replied there are two groups of heavy and viscous oil. One is the West Sak/Schrader Bluff, which varies in oil viscosity from very viscous and hard to produce to less viscous and easier to produce. The less viscous oil is already being developed. The other very viscous heavy oil is found in the Ugnu and a very small area is currently under pilot to see if it can be produced. A lot of both the West Sak/Schrader Bluff and the Ugnu are not developable with current technology, and the defining mechanism for those separate blanket reservoirs would be on viscosity, not new pool. The low viscosity oil is already under production, and the high viscosity hard-to-get oil should be incentivized.

[3:51:52 PM](#)

SENATOR STEVENS joined the committee.

SENATOR WIELECHOWSKI asked if she foresaw any problems in defining a pool of heavy oil.

MS. FORESTER replied the West Sak/Schrader Bluff and the Ugnu are each individual big pools by the AOGCC's definition. And for the sake of what the committee is trying to do, the standard definition of "pool" doesn't work. She said it works in conventional reservoirs, but not in unconventional reservoirs. Viscous oil, shale oil and gas and probably coal bed methane are different.

SENATOR WIELECHOWSKI asked her to describe "sustained production."

MS. FORESTER replied the definition says production goes into a sale and doesn't include testing, evaluation and pilots. The Ugnu is called a pilot, but once it gets into a pipeline it's on production.

SENATOR WIELECHOWSKI recapped that sustained production means when it goes in a pipeline.

MS. FORESTER replied that's the definition in the statutes, and the AOGCC has no difficulty understanding and applying that definition.

[3:55:25 PM](#)

CO-CHAIR PASKVAN asked, in a shale oil field, how long it takes, on average, from the start of drilling to first production.

MS. FORESTER replied she would ask Lynn Helms that question, because neither she nor Mr. Seamount had experience with shale oil or gas development.

CO-CHAIR WAGONER asked if on the first well it would be the well itself, a pipeline, a treatment plant and an agreement to enter the TAPS.

MS. FORESTER agreed.

SENATOR WIELECHOWSKI referenced an AOGCC chart and asked if she could explain the variations in time for bringing on North Slope oil fields. Kuparuk River Melt Water took a year and one-half to bring to regular production, whereas Coleville River/Nanook took six and one-half years and Nokia Chuck at Schrader Bluff took six and three-fourth years.

MS. FORESTER replied one thing was proximity to the infrastructure and another was having all the commercial agreements in place. Any problems with either will slow progress.

[3:58:19 PM](#)

SENATOR STEDMAN asked about the status of AOGCC's data gathering task regarding how many well feet were drilled.

MS. FORESTER replied it was just about finished and Mr. Seamount would deliver it the next time he was in Juneau.

SENATOR STEDMAN expressed a desire for the committee to hear the presentation.

MS. FORESTER confirmed that AOGCC would deliver the presentation at the committee's convenience.

CO-CHAIR WAGONER thanked Ms. Forester and asked if there were questions for Mr. Banks.

[3:59:53 PM](#)

CO-CHAIR PASKVAN asked Mr. Banks how long it takes in a shale oil field from the start of drilling to sustained production.

KEVIN BANKS, Director, Division of Oil and Gas, Department of Natural Resources (DNR), replied a company doing work in North Dakota said that the actual drilling can go fairly quickly, but that the fracking process can cause a slowdown, because only a certain number of frac crews are available. He opined that Commissioner Forester should be able to provide a good average estimate based on information from the folks in North Dakota.

He said he wanted to confirm agreement with Commissioner Forester's comments on viscosity and heavy oil. It's difficult to know what type of oil will be produced until exploration is well underway, but how credit is awarded under SB 85 is certainly the single most important variable in identifying heavy oil in Alaska. Division staff has been challenged to think about things like depth of drilling and productivity of a well as the defining mechanism for heavy oil, but every one of those things falls short of simply identifying heavy oil by its viscosity.

SENATOR FRENCH asked how much it costs to drill an exploration oil well on the North Slope.

MR. BANKS replied the numbers go all over the map. Wells that were drilled in the southwestern part of the NPR-A cost in excess of \$70-80 million, whereas wells drilled at Pt. Thomson were probably closer to \$100 million. In Alaska, shale wells may cost \$20-25 million depending on the distance from the Haul Road. He noted that information from an earlier presentation indicated that the average cost for a well in North Dakota was \$6.1 million.

SENATOR FRENCH asked if those were exploration wells.

MR. BANKS answered no, those were shale wells. He estimated that a North Slope exploration well that was close to the Haul Road would cost about \$25-30 million.

SENATOR FRENCH asked what would be considered a healthy level of exploration wells drilled every year, and noted that since 2003 the number was about 10 wells per year.

MR. BANKS answered "the more the merrier."

SENATOR FRENCH questioned whether the focus should be on encouraging more exploration wells or on the development costs to bring a pool of oil to production.

MR. BANKS responded that Alaska is challenged with high costs and remoteness, and the state has very few levers to pull that would have an effect on cost.

SENATOR FRENCH asked what percent of the cost of an exploration well is state subsidized through credits under ACES.

MR. BANKS replied it would depend on how far the well was from existing infrastructure, but it could be the 40 percent direct exploration credit plus the net operating losses. He offered to follow up with a more exact answer.

SENATOR FRENCH expressed concern that the bill was unclear with regard to what it would cost the state. He suggested that an alternative would be for the state to annually appropriate a sizeable amount of money to stimulate 10 exploration wells. Once the money was gone that would be it until the next appropriation.

[4:08:22 PM](#)

CO-CHAIR WAGONER asked how to define an exploratory shale well as opposed to a production well, and the number of wells that had been drilled through the shale structures.

MR. BANKS offered to follow up with an exact number, but it was very few. To define a shale prospect for the purposes of SB 85, he suggested using area rather than the normal definition of a pool, because the credit may not be available to anyone else once the once development and production started on the first set of wells.

[4:11:28 PM](#)

]BRUCE TANGEMAN, Deputy Commissioner, Department of Revenue (DOR), introduced himself.{

CO-CHAIR WAGONER asked if the committee had any questions for Mr. Tangeman.

SENATOR FRENCH asked what percent of the cost of an exploration well is state-subsidized through credits under ACES.

MR. TANGEMAN replied that for the exploration stage companies would be eligible for up to a 40 percent exploration credit and

a 25 percent net operating loss credit for a total of 65 percent.

CO-CHAIR WAGONER observed that the Great Bear properties had the advantage of proximity to the pipeline, which would make the price relatively low for the first well to go into production.

SENATOR STEDMAN referenced Senator French's question and clarified that the 65 percent would be contributed by the state and federal government and the remaining 35 percent would come from industry. He expressed a desire to hear from the administration or the consultants with regard to where else in the world that magnitude of credit was available.

CO-CHAIR WAGONER said his understanding of SB 85 was that it addresses credit for production; it does not cover exploration.

MR. TANGEMAN said DOR's reading of the bill was that it incentivizes development; the expenses that go into that stage would be credited against a tax liability once production starts.

SENATOR FRENCH asked if cost ever precluded development because his sense was that once a pool of oil is found, there's money to develop it. The hard part is finding the oil in the first place and that's where the analysis has to take place.

[4:16:27 PM](#)

MR. TANGEMAN suggested he ask DNR that question.

SENATOR FRENCH said Armstrong or some other company that was actively exploring could say they'd found oil but couldn't get the money to build a production facility to get it to a pipeline.

MR. TANGEMAN offered his understanding that FEX was in that position; they found oil and eventually gave their leases back to the state.

SENATOR FRENCH said he'd look into that.

SENATOR WIELECHOWSKI asked, under current law, if DOR or DNR audited qualified capital expenditures.

MR. TANGEMAN replied DOR audits the qualified capital expenditures.

SENATOR WIELECHOWSKI recalled that Gaffney Kline testified that there was a worry about gold plating if credits were more than 40 percent. He asked if the administration had concerns about giving 100 percent for capital expenditures and there being gold plating.

MR. TANGEMAN replied DOR's concern with SB 85 was how it interacts with the current tax credit structure. Initially the bill said a company could take either the existing tax credit structure or the one proposed under SB 85. Now the bill says the current tax credit structure would stay in place so the company would have to carry the costs during the development stage, but they could be 100 percent reimbursed during the production stage. DOR's concern with the current language is making sure that qualified reimbursement is capped at 100 percent.

CO-CHAIR PASKVAN asked if he agreed with Mr. Bank's interpretation of the current version of SB 85: that the first shale oil well may be the only one that would qualify for the credit.

MR. TANGEMAN replied he would defer to Director Banks on the technical aspects, but that was one of the issues related to the definition of a pool, and when the clock starts and stops in the development stage.

CO-CHAIR WAGONER recognized that Representative Bob Herron had joined the meeting.

CO-CHAIR WAGONER thanked the participants and announced he would hold SB 85 in committee.

[4:20:52 PM](#)

At ease

**HJR 19-URGING US TO RATIFY LAW OF THE SEA TREATY**

[4:22:48 PM](#)

CO-CHAIR WAGONER announced the consideration of HJR 19 and asked for a motion to bring the resolution before the committee.

CO-CHAIR PASKVAN moved to bring CSHJR 19(RES) before the committee, version D. [Version D was transmitted from the House to the Senate 3/16/11.]

CO-CHAIR WAGONER objected and asked Representative Herron to present the bill.

REPRESENTATIVE BOB HERRON, speaking on behalf of the House Special Committee on Economic Development, Trade, and Tourism, sponsor of HJR 19, stated that U.S. Senator Lisa Murkowski supports this resolution, which urges the U.S. Senate to ratify the United Nations Convention on the Law of the Sea (UNCLOS). It is important to all U.S. interests in the use and development of the high seas off Alaska. Under the treaty, the U.S. can gain another 150 miles beyond the exclusive economic zone (EEZ). This 386,000 square mile area has great economic and scientific potential and some would say that by not ratifying the treaty the U.S. is surrendering sovereign rights. Ratification will make the U.S. a leader in the international Arctic community and is in the best interest of Alaskans and all U.S. citizens.

SENATOR FRENCH referenced page 3, lines 21-22, and asked if all the current Joint Chiefs of Staff support ratification.

REPRESENTATIVE HERRON responded that all the Joint Chiefs of Staff since Ronald Reagan was president have stated support for ratification.

SENATOR FRENCH asked for confirmation that every single joint chief to a person supported ratification.

REPRESENTATIVE HERRON offered his understanding that those collective Joint Chiefs of Staff have supported ratification.

CO-CHAIR PASKVAN observed that every military leader that had come before the Senate in the last three years unanimously supported ratification.

CO-CHAIR WAGONER commented that he ordinarily would not support anything that abrogates sovereignty to an international panel, but he became very supportive after seeing the Coast Guard presentation that showed Chinese operations in waters that, with ratification, would be under the control of the U.S.

CO-CHAIR WAGONER opened public testimony.

[4:28:55 PM](#)

CAITLYN ANTRIM, Executive Director, Rule of Law Committee for the Oceans, Arlington, Virginia, said she has worked on virtually all of the Law of the Sea conventions since 1982, and was asked to give a summary of the convention and to identify areas of interest. She said one area of particular concern is the exclusive economic zone (EEZ) where the U.S. has management

authority out 200 nautical miles. In the Arctic the U.S. has the authority to impose marine environmental protection provisions in ice-covered areas if the regulation is based on scientific evidence and non-discrimination among users. She highlighted that that authority was Russia's principle legal mechanism for instituting control of the northern sea route. On the continental shelf, the U.S. would have control of mineral resources in the seabed beyond the EEZ. With indications of hydrocarbon in the seabed, control may extend as far as 600 miles from shore. The area is even more promising than when the original provisions were drafted. She said that navigation is also a critical component of the convention, and the most critical part is control of straits that would otherwise fall within the 12-mile territorial sea. This would apply to the Bering Strait and would give the U.S. authority to establish traffic separation schemes.

MS. ANTRIM explained that the primary reason that the U.S. didn't initially join UNCLOS was disagreement on the management of the resources of the deep seabed beyond the continental shelf. Ronald Reagan identified six areas as essential and would only recommend the U.S. join the convention if those were fixed. In 1994 all six objections were resolved and the U.S. became a provisional member. The U.S. helped shape the international regime during its four years of provisional membership, but the matter was not brought before the U.S. Senate until 2003. Efforts to move the process forward have been underway since that time.

MS. ANTRIM said it's important for the U.S. to join UNCLOS to protect commercial navigation, naval navigation and aviation rights of over-flight. Furthermore, telecommunication companies are emphatic about the need for the convention in order to lay seabed cables and pipelines. UNCLOS clarifies the ways that companies can get exclusive rights and title to the minerals in the seabed and continental shelf without which they can't get investment capital or foreign partners. It clearly specifies that coastal states are solely responsible for dealing with environmental issues. Governments may engage in international discussion about environmental provisions, otherwise it is entirely a domestic issue. Joining UNCLOS will give the U.S. more authority to shape the ocean regime not only in the Arctic but also in areas like the South China Sea. The convention gives the U.S. sovereign rights over the minerals of the continental shelf and deep seabed, and recognizes the right for the U.S. to determine environmental regulations through its own laws.

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CO-CHAIR PASKVAN asked what seabed attributes off the north coast of Alaska might extend up to 600 miles from shore.

MS. ANTRIM replied the definition of "continental shelf" now says that natural extensions of the continental material are not subject to an outer limit of 350 miles that applies to ridges. In 1980 all the Arctic states agreed and specifically noted that the 350 mile limit did not apply to the Chukchi Plateau. Research by Larry Mayer that was done with the Coast Guard indicated that the continental material and the continental slope beyond the material extends considerably further than previously thought. Photographs of the seabed indicate gas upwelling that is sometimes indicative of hydrocarbon deposits so it's a combination of the law opening up for an extended claim and the geology justifying a claim to that distance.

CATHY WASSERMAN, Executive Director, Alaska Municipal League (AML), stated that AML passed a resolution urging Congress to ratify UNCLOS because it would enhance the economic development of Alaska municipalities. Research indicated a huge list of people that have supported the convention over the last 20-30 years, whereas just a small group has been opposed and in fear of giving away sovereignty. She emphasized the importance of taking action, because of the rapid increase in interest and activity in the Arctic.

CO-CHAIR WAGONER closed public testimony and asked the pleasure of the committee.

CO-CHAIR PASKVAN moved to report CS for HJR 19 from committee with individual recommendations and attached zero fiscal note(s). Without objection, CSHJR 19(RES) moved from the Senate Resources Standing Committee.

[4:38:20 PM](#)

At ease

### **SCR 9-TAKU RIVER TASK FORCE**

[4:40:11 PM](#)

CO-CHAIR WAGONER announced the consideration of [SCR 9] and asked the co-chair for a motion to bring the resolution before the committee.

[4:41:31 PM](#)

Brief at ease.

CO-CHAIR PASKVAN moved to bring SCR 9, version A, before the committee.

CO-CHAIR WAGONER objected for discussion purposes.

JESSE KIEHL, staff to Senator Egan, sponsor of SCR 9, said that over the last few years, Alaskans in Southeast have discussed a wide variety of ideas about the Taku River, and sometimes the conversations were heated. He explained that the proposed Taku River Task Force would provide a forum for future discussions and recommendations for the best management of the resources in that river. The task force was designed to represent a balanced cross section of user-groups and was small enough so as to not be unwieldy. Their recommendations would be due by December 1, 2011.

SENATOR STEDMAN said he wasn't sure what the resolution did.

CO-CHAIR WAGONER summarized that it establishes a task force to review the requests for restrictions and opinions about what should be done with the waterway. A proposal from a Canadian mining company was to run a hovercraft up the river. He asked if that was two years ago.

MR. KIEHL clarified that there wasn't a current proposal for permits, but past proposals have raised concerns and questions about activity on the river. The task force would review the issues and the associated science, but the sponsor didn't want the resolution to presuppose anything. The idea was to gather the best knowledge and consider all the interests of all resource users before making any recommendations to public agencies. Recommendations to change regulations would go through a public process and recommendations to change the law would go before the legislature.

CO-CHAIR WAGONER asked if it was presumptuous to suggest putting sideboards on the task force.

[4:46:07 PM](#)

MR. KIEHL replied the first thing a task force like this should do is to get up to speed on the existing rules, regulations and sideboards.

SENATOR STEDMAN asked for confirmation that the resolution wouldn't preclude a recommendation to build a road or railway into the area.

MR. KIEHL replied this resolution does not tie the hands of the group before it starts meeting. If the recommendation of the task force was to build a road or railway, that's what it would bring forward.

SENATOR STEDMAN asked if the task force would be precluded from asking for an expansion of wilderness designations.

MR. KIEHL replied the task force could theoretically come up with that recommendation as well.

SENATOR STEDMAN pointed out that both the Taku River valley and the Stikine River valley have been trade routes for thousands of years, and a long-term goal in Southeast has been to develop access to the outside. One corridor was north up the Lynn Canal and others were the Taku, the Stikine and the Bradfield. He questioned the composition and narrow representation of the task force.

MR. KIEHL explained that the task force would include the three elected legislators from the Juneau area, and their positions on increasing access to the area are matters of public record. The commissioner of fish and game or the commissioner's designee would also be a member. The four public members would include 1) one owner of private recreational property in the Taku river valley; 2) one commercial fishing permit holder registered in area A; 3) one owner or employee of a business that derives significant income from transportation to or within the Taku River; and 4) one person who uses but does not consume Taku River resources.

MR. KIEHL said he had no reason to believe that radical or extreme recommendations would come from the task force.

SENATOR STEVENS asked for an explanation of a "person who uses but does not consume Taku River resources."

MR. KIEHL replied the notion of a non-consumptive user was initially inspired by the local fish and game advisory committee, and was designed to provide some breadth of opinion on the issues. It would, for example, include people who float rivers or take photographs.

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SENATOR MCGUIRE noted the controversy related to developing an economic barging or traffic corridor in the area, and asked if

consideration was given to putting someone from the transportation community on the task force.

MR. KIEHL replied the task force does have one business member that derives significant income from transportation to or within the Taku River. There is an established business that hauls supplies to the area, there's a lodge in the area and the area is serviced by a number businesses that provide air transportation in and out. All of these businesses have an interest in the future of the river.

SENATOR MCGUIRE responded that there's a distinction between those businesses and a marine transportation company or a barge owner and their perspectives would be widely divergent. She then expressed reservation about delving into a very local issue about which she knew very little.

[4:53:48 PM](#)

CO-CHAIR WAGONER agreed that this was a local issue and suggested that the City and Borough of Juneau should bring the resolution to the legislature.

SENATOR STEDMAN highlighted that there were long-standing treaty issues with Canada related to the Stikine corridor and that may or may not be the case with the Taku corridor as well. In any event, that should be sorted out before going forward.

MR. KIEHL said the Taku River flows across the international boundary so treaties are involved, and there was also interplay between the local municipality and various departments within the state. Those are the complexities the task force would address and then bring their recommendations to the appropriate agencies.

[4:57:11 PM](#)

KIRK HARDCASTLE, commercial fisherman and owner/operator, Taku River Reds, stated support for SCR 9. He highlighted that the economic road map of Taku River salmon shows that they interact with all the commercial fish processing plants in Southeast Alaska. The Taku River sustains all five species of salmon and has active commercial, sport and subsistent fishing for nearly six months each year.

[4:58:58 PM](#)

CHRIS CASEY, professional fly fishing guide, stated support for SCR 9. He described the Taku River as a vital public economic and cultural resource. It is Southeast's largest overall salmon

producer, and according to the 2004 McDowell report, the fishery is worth over \$7 million annually and supports nearly 500 jobs. There is broad support for increased protection through legislation.

NEIL MACKINNON, secretary, Taku Users Group, stated that the Taku River was the last trans-boundary river not encumbered by a park, wilderness, wild and scenic or other restrictive designation. That alone was reason for cautious and careful consideration of the present and future effect of any action. In particular, a critical habitat designation would be an unjustifiable misallocation of Alaska's resources that could not provide commensurate benefit to its citizens.

[5:03:10 PM](#)

CHERI RUDOLPH, president, Taku River Recreational Association (TRRA), said it is TRRA's position that the need for the Taku River Task Force was unwarranted. The impetus for the resolution was to further a continuing agenda for special interest groups seeking a critical habitat or a wild and scenic designation for this watershed.

CO-CHAIR WAGONER asked the current membership of the TRRA.

MS. RUDOLPH replied one year ago 414 members voted against critical habitat for the area and 18 in favor. She noted that the tally was submitted to the sponsor.

[5:05:13 PM](#)

NIEL ATKINSON, representing himself, said he was a Taku River property owner who opposed SCR 9. He opined that appointments to any task force can be made to ensure a certain end result. The resolution doesn't direct the task force to look at historic commercial and private uses and future operations that some may feel are critical to the enjoyment of their lifestyle.

[5:06:51 PM](#)

CARLEEN CONWAY, representing herself, said she was a cabin owner on the Taku River who opposed SCR 9. The idea for the task force was primarily brought up by a special interest group with a specific agenda. Furthermore, the task force would not supersede the ADF&G advisory committee or the international trans-boundary laws.

[5:07:59 PM](#)

ERROL CHAMPION, representing himself, said the supporting material for the resolution included an article from the Juneau

Empire about wintertime barge traffic on the Taku River. He was quoted expressing deep concern about the project and was a little resentful that it was included since the information dated back to 2008. At this point, both the business and the project were defunct, and there was nothing on record about future permit applications. He said he was also troubled by the efforts to get the Taku River area designated as critical habitat. He urged the committee not to pass the resolution.

5:09:34 PM

JEV SHELTON, representing himself, said he had commercially fished the Taku River for at least 40 years and hoped to continue. He stated support for proceeding with the review because the Taku River problems were real. The mining company that proposed the hoverbarge operation up and down the river did fail financially, but not before it put a scare in the community. Even though it was clear that it would wreak havoc with the fishery resource, it appeared to be on the verge of being permitted. He said the fishing-related industry in Juneau supports getting more sensible control over the things that can occur to the Taku River fishery habitat. He emphasized that the interest was only in maintaining the habitat in the river and not sacrificing a significant part of the non-government employment in the Juneau community. He said there was already another applicant for that mine and it was a misconception to think that it wasn't the right time to set up a proper procedure, because the proposal will come up again.

5:12:09 PM

RON SOMERVILLE, Territorial Sportsmen Inc., cautioned that the environmental community had for some time been focused on establishing an international body to govern trans-boundary rivers like the Stikine and Taku. He said he was also somewhat disappointed that the task force did not include a sport fisherman. He pointed out that the resolution was about barging down the Taku River and possibly impacting fisheries, but it covered game as well. He recommended removing any reference to game and appointing more people to the task force, with particular consideration given to the Territorial Sportsmen since it was the largest conservation group in Juneau. He further suggested that if the report to the legislature was majority based that there should also be an opportunity for a minority report so that legislators could get the whole picture.

CO-CHAIR WAGONER announced he would hold SCR 9 in the Senate Resources Standing Committee.

5:15:16 PM

There being no further business to come before the committee,  
CO-CHAIR WAGONER adjourned the Senate Resources Standing  
Committee meeting at 5:15 p.m.