

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

March 3, 2014

1:13 p.m.

**MEMBERS PRESENT**

Representative Peggy Wilson, Vice Chair  
Representative Mike Hawker  
Representative Craig Johnson  
Representative Kurt Olson  
Representative Paul Seaton  
Representative Scott Kawasaki  
Representative Geran Tarr

**MEMBERS ABSENT**

Representative Eric Feige, Co-Chair  
Representative Dan Saddler, Co-Chair

**COMMITTEE CALENDAR**

SENATE JOINT RESOLUTION NO. 15

Opposing any international designation of Alaska land or water as an international park, world heritage site, biosphere reserve, Ramsar site, or other classification of land or water that affects the use of land or water by the state or an Alaska Native corporation without approval by the United States Congress and the Alaska State Legislature; requesting the United States Department of State and the United States Department of the Interior to cease all further action related to an international designation for land and water in the state until the action is approved by the United States Congress and the Alaska State Legislature; requesting that the United States Congress pass legislation requiring Congressional approval of any international designation that affects the use of land or water by the state or the United States; requesting that the governor be involved in the process and development of any joint action plan; requesting that the state, including the departments responsible for the management of fish and wildlife and other natural resources, be an integral part of any discussion, agreement, understanding, or other process that affects the use or development of fish and wildlife and other natural resources in the state; and urging the governor and the attorney general to reserve all legal remedies for a taking of the natural resources of the state by an international designation of land and water in the state.

- MOVED HCS SJR 15(RES) OUT OF COMMITTEE

CONFIRMATION HEARING(S):

Big Game Commercial Services Board

Michelle Metz  
Gene Peltola

- CONFIRMATION(S) ADVANCED

Board Of Fisheries

Frederick "Fritz" Johnson

- CONFIRMATION(S) ADVANCED

Commissioner - Department Of Natural Resources

Joe Balash

- CONFIRMATION(S) ADVANCED

HOUSE BILL NO. 287

"An Act approving and ratifying the sale of royalty oil by the State of Alaska to Tesoro Corporation and Tesoro Refining and Marketing Company LLC; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: SJR 15

SHORT TITLE: OPPOSE INTERNATIONAL DESIGNATING OF LAND

SPONSOR(S): SENATOR(S) GIESSEL

01/22/14	(S)	READ THE FIRST TIME - REFERRALS
01/22/14	(S)	RES
02/08/14	(S)	RES AT 9:00 AM BUTROVICH 205
02/08/14	(S)	Moved SJR 15 Out of Committee
02/08/14	(S)	MINUTE(RES)
02/10/14	(S)	RES RPT 5DP
02/10/14	(S)	DP: GIESSEL, MICCICHE, BISHOP, DYSON, FAIRCLOUGH
02/18/14	(S)	TRANSMITTED TO (H)

02/18/14 (S) VERSION: SJR 15  
02/19/14 (H) READ THE FIRST TIME - REFERRALS  
02/19/14 (H) RES  
03/03/14 (H) RES AT 1:00 PM BARNES 124

**WITNESS REGISTER**

JANE CONWAY, Staff  
Senator Cathy Giessel  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** On behalf of the prime sponsor, Senator Giessel, explained the changes in the proposed committee substitute (CS) for SJR 15, Version N.

SENATOR CATHY GIESSEL  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Testified as prime sponsor of SJR 15.

STAN LEAPHART, Executive Director  
Citizens' Advisory Commission on Federal Areas (CACFA)  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of SJR 15.

DEANTHA CROCKETT, Executive Director  
Alaska Miners Association, Inc. (AMA)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SJR 15.

MARLEANNA HALL, Projects Coordinator  
Resources Development Council (RDC)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SJR 15.

MICHELLE METZ, Appointee  
Big Game Commercial Services Board (BGCSB)  
Juneau, Alaska

**POSITION STATEMENT:** Testified as an appointee to the Big Game Commercial Services Board.

GENE PELTOLA, Appointee  
Big Game Commercial Services Board  
Bethel, Alaska

**POSITION STATEMENT:** Testified as appointee to the Big Game Commercial Services Board.

FREDERICK "FRITZ" JOHNSON, Appointee

Board of Fisheries  
Dillingham, Alaska

**POSITION STATEMENT:** Testified as appointee to the Board of Fisheries (BOF).

JOE BALASH, Commissioner Designee  
Department of Natural Resources (DNR)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified as commissioner designee to the Department of Natural Resources.

#### **ACTION NARRATIVE**

[1:13:37 PM](#)

**VICE CHAIR PEGGY WILSON** called the House Resources Standing Committee meeting to order at 1:13 p.m. Representatives Hawker, Johnson, Olson, Seaton, and P. Wilson were present at the call to order. Representatives Kawasaki and Tarr arrived as the meeting was in progress.

#### **SJR 15-OPPOSE INTERNATIONAL DESIGNATING OF LAND**

[1:14:12 PM](#)

VICE CHAIR PEGGY WILSON announced that the first order of business would be SENATE JOINT RESOLUTION NO. 15, Opposing any international designation of Alaska land or water as an international park, world heritage site, biosphere reserve, Ramsar site, or other classification of land or water that affects the use of land or water by the state or an Alaska Native corporation without approval by the United States Congress and the Alaska State Legislature; requesting the United States Department of State and the United States Department of the Interior to cease all further action related to an international designation for land and water in the state until the action is approved by the United States Congress and the Alaska State Legislature; requesting that the United States Congress pass legislation requiring Congressional approval of any international designation that affects the use of land or water by the state or the United States; requesting that the governor be involved in the process and development of any joint action plan; requesting that the state, including the departments responsible for the management of fish and wildlife and other natural resources, be an integral part of any discussion, agreement, understanding, or other process that affects the use or development of fish and wildlife and other

natural resources in the state; and urging the governor and the attorney general to reserve all legal remedies for a taking of the natural resources of the state by an international designation of land and water in the state.

[1:15:16 PM](#)

REPRESENTATIVE HAWKER moved to adopt Version U as the working document.

REPRESENTATIVE SEATON objected for discussion purposes.

[1:15:48 PM](#)

JANE CONWAY, Staff, Senator Cathy Giessel, Alaska State Legislature, stated the current version of the proposed committee substitute (CS) for SJR 15 is Version N.

SENATOR CATHY GIESSEL, Alaska State Legislature, clarified that the original version of SJR 15 was Version U.

[1:16:16 PM](#)

REPRESENTATIVE HAWKER withdrew his motion.

The committee took a brief at-ease.

[1:17:00 PM](#)

REPRESENTATIVE SEATON moved to adopt the proposed committee substitute (CS) for SJR 15, Version N, [labeled 28-LS1192/N, Bullock, 2/28/14] as the working document.

REPRESENTATIVE JOHNSON objected for discussion purposes.

[1:17:49 PM](#)

MS. CONWAY explained that Version N makes three small changes: On page 2, line 26, changes "National Park Service" to "the federal government"; on page 3, line 8, changes "would" to "potentially could evolve into" and on page 4, line 6, changes "would" to "could." In response to a question, stated that these changes do not at all alter the message of SJR 15.

[1:18:51 PM](#)

REPRESENTATIVE JOHNSON removed his objection. There being no further objection, Version N was before the committee.

VICE CHAIR P. WILSON opened public testimony on SJR 15.

[1:19:28 PM](#)

REPRESENTATIVE SEATON requested a brief overview of the resolution for the public.

SENATOR GIESSEL stated that SJR 15 is similar to a resolution that several committee members sponsored in 2007 that passed the legislature. She noted this is not a new issue. She explained that Beringia is a designated international park in Northwest Alaska. She advised that this represents another taking of Alaska land. She acknowledged the committee is familiar with the Alaska National Interest Lands Conservation Act (ANILCA). The third element in ANILCA indicates that Alaska has given its share of lands for federal conservation units. She related that ANILCA also contains a "no more clause" noting that Alaska need not give any more land. However, after ANILCA passed in 1985, the National Park Service (NPS) began to capture land to create the Bering Land Bridge National Preserve thereby taking more land. In the early 1990s informal discussions between President George Bush and President Gorbachev were held proposing an international park designation that would consist of land from Russia and land in Alaska. In 2013, Russia formally established the Beringia National Park on the Chukotka Peninsula in Russia. This would be joined with the Beringia Land Bridge National Preserve on the Seward Peninsula and Cape Krusenstern National Monument just north of Kotzebue. She summarized that this is Russian land and Alaska's land creating an international park designation.

[1:22:05 PM](#)

SENATOR GIESSEL noted that in October 2013 another Memorandum of Understanding (MOU) was developed and is now awaiting signature of the president to finalize this international designation. The purpose of the park would be to consider culture, environment, and conduct research in the protected area. While this may sound nice, Governor Parnell has not been a party to these discussions, nor has the legislature, and Congress has not been invited to discuss or chime in on this designation. This designation falls under the United Nations Educational, Scientific, and Cultural Organization. After Cape Krusenstern National Monument and the Bering Land Bridge National Preserve

designations, further United Nations organizations' criteria applied to other areas. For example, she pointed out that a proposed road that would go through the Izembek [National Wildlife Refuge], which is a Ramsar Convention [list of wetlands of international importance] site, but it was declined due to concern about grasses and birds. She reiterated that this has been designated a Ramsar Convention site by the United Nations.

SENATOR GIESSEL related that Alaska World Heritage sites, also designated by the United Nations include Glacier Bay and Wrangell-St. Elias Park, as well as Denali National Park, which is a biosphere reserve. She stated there is an "ongoing push" for a buffer zone around Denali National Park and Preserve. She stated that pushing for a buffer zone is one path taken to expand the size of a preserve.

[1:24:07 PM](#)

SENATOR GIESSEL pointed out although these designations seem harmless, similar ones have curtailed resource development around the world. This resolution expresses her concern that terms such as "sustainable development" that are commonly stated by the United Nations and the federal government will mean restricted development. She advised that the governor has sent letters to [former] Secretary of State Hilary Clinton, expressing his concern. U.S. Senator Murkowski and Congressman Don Young have asked U.S. Secretary of the Interior Sally Jewell and Secretary of State John Kerry to stop and listen to the State of Alaska on this issue. Similarly, the leadership in the other body has written a similar letter and the Citizens' Advisory Commission on Federal Areas (CACFA) has listed this international park as a primary priority concern.

SENATOR GIESSEL stated that the purpose of SJR 15 is to raise an awareness that this proposal has not gone away, but has moved forward. She reported that an MOU signed by Russia and the Secretary of State is awaiting President Obama's signature to finalize the document.

[1:25:51 PM](#)

REPRESENTATIVE HAWKER pointed out the final resolve clause urges the governor and the attorney general to seek legal remedies, but they are not on the list of people who will receive copies of this resolution. He suggested they should be added.

SENATOR GIESSEL agreed that is a good suggestion.

[1:26:58 PM](#)

REPRESENTATIVE KAWASAKI requested a specific example of how this designation has hampered development of natural resources in Alaska.

SENATOR GIESSEL deferred to her staff, Jane Conway.

MS. CONWAY answered that the most recent example is the Izembek Road from Cold Bay to King Salmon. She remarked that this road as a Ramsar site was touted as a reason for denial. This decision cited the Black Headed Brant and the protection of the eel grass in the area [as the basis for the denial.] The purpose of this resolution is that it could possibly hamper development in the state if the international designations are allowed without Alaska's or Congressional approval.

[1:28:34 PM](#)

REPRESENTATIVE KAWASAKI asked for some of the benefits to Alaska and Russia in having an MOU in place regarding the Beringia.

SENATOR GIESSEL said she cannot think of a single benefit of having this MOU in place. It is an additional international taking that has no benefit.

[1:29:42 PM](#)

REPRESENTATIVE TARR pointed out that the lands in question are federal lands. She referred to a map in members' packets entitled "Proposed Transboundary Area of Shared Beringian Heritage" and to the proposed contributions to International Protected Area - Pending Designation. She said these lands appear to all be federal and native lands so it may be appropriate for the federal government to have these deliberations about federal lands. She asked whether any state lands are included.

SENATOR GIESSEL answered yes; naming the Bering Land Bridge National Preserve and the Cape Krusenstern National Monument north of Kotzebue. She outlined the challenge, that the NPS web site describes Beringia by latitude and longitude and geographical location. Beringia actually extends to the top of Alaska and to the Mackenzie River in Canada, to the bottom of the Kamchatka Peninsula, about parallel to the Aleutian Islands. This essentially would encompass the entire state. She noted

the significant oil and mining resources. The road from the Red Dog Mine to tidewater had to cross Cape Krusenstern and required an act of Congress to build the road. She expressed concern that if this becomes internationally designated, Alaska would have significant barriers to resource development.

[1:32:35 PM](#)

REPRESENTATIVE TARR understood the concern is related to the larger designation.

SENATOR GIESSEL explained that these designations tend to expand over time. This is U.S. land, so she did not understand the reason to relinquish it to international jurisdiction.

[1:33:33 PM](#)

STAN LEAPHART, Executive Director, Citizens' Advisory Commission on Federal Areas, testified in support of SJR 15 from the following written statement [original punctuation provided]:

I appreciate the opportunity to testify today in support of SJR 15.

The Commission shares the concerns expressed in SJR 15 regarding the designation of lands under various internal initiatives such as that reflected in the proposed memorandum of understanding between the United States and the Russian Federation to "symbolically link" U.S. National Parks in the Bering Strait Region to form an international protected area.

The proposed MOU states that it is legally nonbinding and is not an international agreement and does not create any rights or obligations under international law. Based on past experience, however, the terms of this MOU could complicate the ability of the National Park Service to manage national park lands in this region. It could also potentially affect the ability of the State of Alaska and the private land owners in the region to develop and utilize their lands.

While somewhat different in scope, the recent decision by the Secretary of the Interior to not approve the construction of a road in the Izembek NWR was based in no small part on the 1986 designation of the refuge as a Wetland of International Importance under the Ramsar

Convention, even though the convention is non regulatory and has no sanctions for violating treaty commitments.

In the 1990s the designation of Glacier Bay National Park & Preserve as both a United Nations World Heritage Site and a biosphere Reserve was a factor in the phased elimination of a 100 year old state-managed commercial fishery in the park.

The Commission notes that the National Park Service Shared Beringian Heritage Programs has funded numerous projects over the last 12 years in the Bering Straits region. These projects have collected useful archeological, cultural, historical, natural resource and environmental data. We also note that many of the projects are undertaken not in the Alaskan park units for which the National Park Service has statutory management responsibility, but in the Russian Federation.

Both the Cape Krusenstern National Monument and the Bering Land Bridge National Preserve (which are the two U.S. National Park units that would be "symbolically linked" under this MOU) were created by ANILCA to protect archeological sites and provide for the study of the historic migration of peoples across the Bering Straits, as well as to preserve natural and cultural resources in these two areas. We believe that the increasingly scarce funds used for the administratively created Shared Beringian Heritage Program could better be utilized to meet the National Park Service's statutory responsibilities for these two park units.

[1:36:48 PM](#)

MR. LEAPHART pointed out that ostensibly under the MOU the management decisions would only directly affect the National Park Units. He asked to read a short excerpt from a recently released report, as follows [original punctuation provided]:

A recent report by the Science Committee of the National Park System Advisory Board contains the following statement: *"Confronted with continuous and dynamic change and the goal of preserving ecological integrity, NPS management strategies must be expanded*

*to encompass a geographic scope beyond park boundaries to larger landscapes and to consider longer time horizons. Specific tactics include improving the representation of unique ecosystem types within the National Park System, prioritizing the protection of habitats that may serve as climate refugia, ensuring the maintenance of critical migration and dispersal corridors, and strengthening the resilience of park ecosystems."*

MR. LEAPHART submitted that this language means the NPS looks outside its management responsibilities to develop management strategies and emphasizes the possible threat from creation of this Beringian Heritage Area.

[1:38:14 PM](#)

REPRESENTATIVE TARR inquired whether SJR 15 would have an impact on the MOU, which is what is moving forward and if the resolution should specifically address the MOU.

MR. LEAPHART offered his belief that the intent of SJR 15 is in opposition to the MOU and he would hope the result would be that the president would not sign it.

[1:40:02 PM](#)

DEANTHA CROCKETT, Executive Director, Alaska Miners Association, Inc. (AMA) spoke in favor of SJR 15. She read from the following written statement [original punctuation provided]:

Good afternoon. My name is Deantha Crockett, and I am Executive Director of the Alaska Miners Association. AMA began in 1939 (so 2014 celebrates our 75th Anniversary!) and is the umbrella association for Alaska's mining industry. Our members include small, family-run placer operations, to large-scale hard rock mines, to coal mines, to exploration projects, and all vendors and contractors that support Alaska's mines.

AMA does not support actions that decrease or prevent access to Alaska's lands. In 1980, the Alaska National Interest Lands Conservation Act (ANILCA) designated millions of acres within Alaska as conservation system units, and more importantly, issued a promise that "No More" lands would be precluded from a multiple-use, fully accessible classification. The Federal

government today should keep that promise, and block no further acreage from access, exploration, and with hope, development of all uses.

Separately, land designations should only be made with full Congressional approval, the Alaska Legislature, and the Governor, as well as the various private landowners in this area. Governor Parnell, as well as Senator Murkowski and Congressman Young have expressed concerns that the federal government has not consulted the State of Alaska on this land designation. While on a technical note, designations don't create regulatory authority over lands, it is a consideration taken into account by land managers who evaluate activities on those lands, and it is certainly noticed by potential developers who may sense additional risk by such a land designation when evaluating whether or not to invest in Alaska.

We believe passage of SJR15 will send a message that the State of Alaska takes the multiple-use standard seriously, and that designations of lands within our state must be done in consultation with our state lawmakers.

Thank you for hearing this resolution and I encourage you to pass it as soon as possible.

[1:42:06 PM](#)

MARLEANNA HALL, Projects Coordinator, Resources Development Council (RDC), paraphrased, as follows [original punctuation provided]:

The Resource Development Council for Alaska, Inc. (RDC) is writing in support of SJR 15, a resolution opposing any international designation of Alaska land or water as an international park, world heritage site, biosphere reserve, Ramsar site, or other classification of land or water that affects the use of land or water by the state or an Alaska Native Corporation without approval by the U.S. Congress and the Alaska State Legislature.

RDC is an Alaskan business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism, and fisheries

industries. Our membership includes all of the Alaska Native regional corporations, local communities, organized labor, and industry support firms. RDC's purpose is to expand the state's economic base through the responsible development of our natural resources.

It is a policy of RDC to advocate for access to and across lands in Alaska for resource and community development. RDC is concerned that the proposed Memorandum of Understanding (MOU) for the creation of the Beringia International Park (Beringia) will create another level of bureaucracy inhibiting access to areas in Alaska.

The area under consideration in this proposed MOU is vast and surrounds many rural communities. The MOU lacks consultation and coordination with local and state government, as well as ignores possible impacts to resources, such as oil and gas, and mining exploration and development.

It is also a policy of RDC to advocate for multiple use of lands, and resource development in the area could provide economic benefits to the region where well-paying jobs are scarce, as well as improved or added infrastructure and access to areas for multiple-users.

RDC maintains that multiple uses should include mining (exploration, leasing, development) for oil and gas, coal, and minerals, as well as recreational and other potential uses. With less than one percent of Alaska in conventional private ownership, access should be available on other lands, and should not be restricted by an unprecedented one-size fits all MOU that will likely add another layer of federal bureaucracy.

SJR 15 is timely, given the MOU has yet to be signed by the President. Input from those most knowledgeable about Alaska and Alaska's resources should not be ignored. This MOU could seriously jeopardize the ability to access resources that fall in and around Beringia. In addition, past federal government promises assured access to allow resource development in this area and others not set aside through the Alaska National Interest Lands Conservation Act (ANILCA)

The passage of ANILCA in 1980 set aside 106 million acres of federal lands in Alaska as conservation system units. Today, Alaska accounts for 70 percent of all national park lands in the United States, as well as 53 percent of federally designated Wilderness for all of the U.S.

RDC thanks Senator Giessel for introducing this resolution, and urges the Alaska Legislature to pass SJR 15 and to continue to assert the State of Alaska's rights, and consult with the State of Alaska on this and any future designations of the State's lands and resources.

[1:43:46 PM](#)

VICE CHAIR P. WILSON, after first determining no one else wished to testify, closed public testimony on SJR 15.

[1:44:24 PM](#)

REPRESENTATIVE KAWASAKI recalled that many members took the megaprojects seminar several years ago and it was enlightening to understand that part of the problem with resource development is having prospective developers know the confines of the development. Sometimes MOUs have a positive impact, he said. He was unsure about this one in particular, but he does not object to moving the resolution at this point.

REPRESENTATIVE SEATON pointed out that the last further resolved urges the attorney general to reserve all legal remedies, which he said is an important part of SJR 15.

[1:45:20 PM](#)

REPRESENTATIVE HAWKER moved to adopt Conceptual Amendment 1, to add "Governor Parnell and Attorney General Geraghty" to the addressees of the resolution.

VICE CHAIR P. WILSON objected for discussion purposes.

[1:45:47 PM](#)

REPRESENTATIVE HAWKER said he wanted to ensure that even though the resolution will pass the governor's desk for signature, it doesn't mean it will be assimilated by the governor. He

respectfully asked for the sponsor's consent to make the amendment to add Governor Parnell and Attorney General Geraghty to the list of addressees.

VICE CHAIR P. WILSON said she noted the sponsor was nodding her assent.

SENATOR GIESSEL agreed.

VICE CHAIR P. WILSON removed her objection. There being no further objection, Conceptual Amendment 1 was adopted.

[1:46:49 PM](#)

REPRESENTATIVE OLSON moved to report SJR 15, Version N, labeled 28-LS1192/N, Bullock, 2/28/14, as amended, out of committee with individual recommendations and the accompanying fiscal note. There being no objection, the HCS SJR 15(RES) was reported from the House Resources Standing Committee.

[1:47:09 PM](#)

The committee took an at-ease from 1:47 p.m. to 1:49 p.m.

**CONFIRMATION HEARING(S):**

**Big Game Commercial Services Board**

[1:49:49 PM](#)

VICE CHAIR P. WILSON announced that the next order of business is confirmation hearings for the Big Game Commercial Services Board (BGCSB), the Board of Fisheries, and Commissioner of the Department of Natural Resources.

[1:50:33 PM](#)

MICHELLE METZ, Appointee, Big Game Commercial Services Board, stated that she serves as a manager for the Sealaska Corporation based out of Juneau. This will be her first reappointment to this board. She recalled that she initially served a partial term. She explained that a substantial amount of learning is necessary. She said the former Chair of the BGCSB, Paul Johnson, recommended to the governor that she serve on the board. She occupies the seat as the large, private landowner. The Sealaska Corporation has had guides operating on its land. She expressed an interest in serving since guiding offers

employment opportunities in rural communities. Many rural residents are familiar with the outdoors, hunting, and so it seems to be a natural fit for them to assist guides.

[1:52:39 PM](#)

VICE CHAIR P. WILSON opened public testimony. After determining no one wished to testify she closed public testimony on the confirmation hearing for Ms. Metz.

[1:53:03 PM](#)

REPRESENTATIVE HAWKER moved to forward the name of Michelle Metz as nominee to the Big Game Commercial Services Board to the joint session of the House and Senate for consideration. There being no objection, Ms. Metz's name was forwarded to a joint session of the House and Senate for consideration.

The committee took a brief at-ease.

[1:54:00 PM](#)

VICE CHAIR P. WILSON related that the next confirmation hearing would be for Gene Peltola, Appointee to the Big Game Commercial Services Board.

[1:54:40 PM](#)

GENE PELTOLA, Appointee, Big Game Commercial Services Board, stated that like Ms. Metz, this is a reappointment to the BGCSB. He has served the remaining year of a three-year term and was recommended to serve on the board by the current Chair. He just retired after spending 25 years as the Chief Executive Officer and President of the Yukon Kuskokwim Health Corporation. He has always had an interest in natural resources, the state has been good to him, and in his retirement, he would like to provide services back to the State of Alaska.

VICE CHAIR P. WILSON opened public testimony. After determining no one wished to testify she closed public testimony on the confirmation hearing for Mr. Peltola.

[1:55:47 PM](#)

REPRESENTATIVE HAWKER moved to forward the name of Gene Peltola as a nominee to the Big Game Commercial Services Board to the joint session of the House and Senate for consideration. He

reminded members that signing the reports regarding appointments to boards and commissions in no way reflects individual members' approval or disapproval of the appointees, and that the nominations are merely forwarded to the full legislature for confirmation or rejection.

VICE CHAIR P. WILSON concurred. There being no objection, Mr. Peltola's name was forwarded to a joint session of the House and Senate for consideration.

### Board of Fisheries

[1:56:49 PM](#)

VICE CHAIR P. WILSON announced that the next order of business would be the confirmation hearing for Frederick "Fritz" Johnson as appointee to the Board of Fisheries.

[1:56:58 PM](#)

FREDERICK "FRITZ" JOHNSON, Appointee, Board of Fisheries, stated that Bristol Bay has been his home since 1979 when he started fishing commercially, and Bristol Bay is fish country, like much of Alaska. He has crewed or captained various boats in salmon, herring, and halibut fisheries. He related that his first winter job was working for the 1980 federal census and he visited nearly every community in the region, from Pedro Bay to the Chignik, and he got to know the people and the region. Additionally, he spent a dozen years managing a weekly newspaper, from 1980 to 1992, and through that process became familiar with many issues important to residents of Southwest Alaska. Between fishing seasons he has also worked for various nonprofit organizations, but five years ago he signed on as the regional fisheries coordinator for the Bristol Bay Economic Development Corporation, which is a local community development quota entity in Southwest Alaska. He characterized this job as "all fish all the time." He said he is familiar with board processes and procedures. He further said he is ready to make the time and commitment for the Board of Fisheries mandate for sustainability of Alaska's fisheries while providing opportunities to the various user groups in the state.

[1:58:57 PM](#)

REPRESENTATIVE HAWKER offered his thanks and admirations to Mr. Johnson, noting he has received many letters of support for the nominee. He inquired whether he can fairly represent all user

groups beyond commercial fisheries, for example, if he could also represent the sport fisheries perspective.

MR. JOHNSON replied he would not be applying for this appointment if he felt he could not represent all the user groups. He has also sport fished although his principal background is in commercial fishing, but he understands the Board of Fisheries must represent all user groups.

[2:00:17 PM](#)

REPRESENTATIVE TARR inquired whether any groups are opposing Mr. Johnson's appointment to the Board of Fisheries.

MR. JOHNSON responded he is unaware of any opposition to his appointment. He said he has participated in seven Board of Fisheries' meetings thus far since October so he has discovered it isn't always easy to make everyone happy.

[2:01:16 PM](#)

VICE CHAIR P. WILSON opened public testimony. After determining no one wished to testify she closed public testimony on the confirmation hearing for Mr. Johnson.

REPRESENTATIVE HAWKER said that the absence of public testimony "screams" volumes about Mr. Johnson's qualifications to serve on this board.

REPRESENTATIVE HAWKER moved to forward the name of Frederick "Fritz" Johnson as a nominee to the Board of Fisheries to the joint session of the House and Senate for consideration. He reminded members that signing the reports regarding appointments to boards and commissions in no way reflect individual members' approval or disapproval of the appointees, and that the nominations are merely forwarded to the full legislature for confirmation or rejection. There being no objection, Mr. Johnson's name was advanced to the joint session of the House and Senate for consideration.

The committee took an at-ease from 2:02 p.m. to 2:04 p.m.

**Commissioner - Department of Natural Resources**

[2:04:44 PM](#)

VICE CHAIR P. WILSON announced that the next order of business would be the confirmation hearing for Joe Balash as appointee to serve as commissioner of the Department of Natural Resources.

[2:05:00 PM](#)

JOE BALASH, Commissioner Designee, Department of Natural Resources (DNR), stated that Alaska has been his home since 1986. His family moved to Alaska and his father was stationed at Eielson Air Force Base. He indicated Alaska is where he wants to make his home and have his own family. He began working in the capitol 17 sessions ago and he has seen a number of events come and go. He learned that DNR is the premier agency in state government in terms of what makes this state operate, what brings in the money, and what allows the state to do all that is spectacular in Alaska. It's an honor and a privilege for him to have the opportunity to lead DNR with the responsibilities that come with the job.

[2:06:52 PM](#)

MR. BALASH said that Alaska has 100 million acres of upland, 60 million more acres in tidelands, and submerged lands. He acknowledged it is a really big job. He pointed out that Alaska has world-class resources and it requires world-class management. He did not envision doing this job without the fine employees that staff the agencies, numbering more than 1,100 employees. He offered his belief that these people manage the resources on a day-to-day basis, while the commissioner functions as an asset manager rather than a resource manager. He further thought that the commissioner needs to look at ways to leverage the resources and assets in Alaska to create additional value and opportunities. He acknowledged many employees follow the regulations and procedures and issue permits on a daily basis; however, the commissioner must keep an eye out for opportunities.

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MR. BALASH explained that Alaska has the largest park system in the country, yet there is a backlog of deferred maintenance in the parks that exceeds \$50 million. The state's ability to overcome that backlog is limited by all the same budget challenges that the legislature must wrestle with. He suggested an untapped opportunity exists in Alaska's parks. The legislature has taken some steps to get started on an approach that really could be the key, which is identifying private

concessions that can be leveraged to create revenue streams. For example, in south Denali, the state has started to develop a new alternative to provide visitor opportunities and partner with the visitor industry in the form of a long-term concession and agreement to create a revenue stream that could be "plowed" back into parks. He envisioned that this wouldn't be limited to the high-traveled high-density parks, but ones the families use for picnics, barbeques, and weekend campouts, such as in Chugach State Park. He said similar opportunities also exist in Wood-Tikchik Park to make sure that nothing is inconsistent with park values or management but to have a controlled planned and orderly method for visitors to "see these treasures" and at the same time create a revenue stream that can help sustain the park system for all Alaskans.

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MR. BALASH, regarding oil and gas, noted that much time has been spent discussing how to leverage the existing proven resource base at Prudhoe Bay to create additional opportunities for years to come by developing additional potential resources. He pointed out a place in which the state got it wrong - in the developments at Alpine and Badami, which were developed without roads. The state missed out on extending its reach. The state is limited in its exploration by the radius of ice roads that can extend beyond the existing year-round infrastructure. Thus, the state still has only the same radius as it had in 1989, yet the state should be able to reach that much further east and west. He said, "That's something that I think is a shame. It's something that's probably cost us opportunities as a state in the last 20 years." Those are the types of things he hoped to avoid, he said.

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MR. BALASH, addressing public rumblings he has heard about his [young] age and experience, said he didn't see this as a problem. He stated that the reality is he is young enough that he will see the consequences of the decisions the Commissioner makes, which he views as an incredible responsibility.

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VICE CHAIR P. WILSON, with respect to his comments on ice roads to Alpine and Badami fields, asked what expansion he envisioned of additional roads and if he meant ice roads or other roads.

MR. BALASH answered that those fields were developed without permanent roads. Had they been developed with permanent roads additional reach with the ice roads would be further out than today. In terms of development at Point Thomson, the field is large enough to warrant development, but the state misses out on smaller opportunities. He said that the "home runs" will take care of themselves. The state needs to string together a few "base hits."

VICE CHAIR P. WILSON concurred.

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REPRESENTATIVE HAWKER offered his appreciation for Mr. Balash's passion, intelligence, and deep commitment. He remarked that he has worked with Mr. Balash on challenging issues with many ups and downs and questioned the appearance of Mr. Balash's relationship with TransCanada as being extremely close. He said he took note of TransCanada's lobbyist sitting in the audience, with the vast majority of the other audience being staff. He concluded that makes him want to know what TransCanada's interest is in Mr. Balash's confirmation. He asked if appointed whether Mr. Balash can be objective in his decisions and the counsel he provides the governor in terms of dealings with TransCanada or any other [oil and gas] company.

MR. BALASH responded that the counsel he has given to the governor along the way will likely remain confidential. However, the question raised is an important one. He described his association with TransCanada as being purely through his work at the state and advised that he has no personal financial ties to TransCanada. He acknowledged the state's relationship with TransCanada through the partnership wasn't perfect. In fact, in some instances the state's relationship with TransCanada has been questioned and reconsidered. He surmised that will likely happen again in the future depending on the legislature's actions. For example, the MOU will require further agreement and further consideration. The specific "gates" are big ones and the state must proceed with "our eyes wide open."

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MR. BALASH acknowledged that TransCanada's performance has impressed him to date; however, he believed TransCanada's ability to help the state is limited. In fact, if the current oil and gas discussion was limited to monetization of Prudhoe

Bay and Point Thomson, without any other concerns, the state wouldn't need TransCanada as a financial partner. However, what drives his interest in seeing TransCanada included has been their ability to bring additional gas producers to the table to move Alaska's resource through the infrastructure. He hoped he has answered the question.

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REPRESENTATIVE HAWKER stated Mr. Balash has not answered his question. He characterized Mr. Balash's response as a defense of his relationship with TransCanada. He rephrased his question. He asked if Mr. Balash is confirmed as commissioner of DNR, whether he could be objective in his dealings with TransCanada or any other individual commercial parties.

MR. BALASH agreed Representative Hawker is right. In response to whether he can be objective, he offered his belief that one's experiences with a company inform his/her decisions. He said the challenge is to try to be objective. He asked what objective measures could be used to evaluate any given proposal or opportunity dealing with any company. He said the state has an obligation to look for external benchmarks when considering proposals whether to the governor or the legislature. The question becomes how the state knows it is delivering value or providing the right opportunities to move the state forward. He went on to say he personally seeks this in all of the department's transactions. He hoped the state would be considering a royalty sale contract for oil soon and agreed the state's deliberations must be objective. Further, objectivity must come but not with blinders, and it must take into account the experiences the state has had with the company to ensure that the right features, terms, and conditions are met.

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MR. BALASH contrasted that with the settlement of Point Thomson since litigation clouded the title of the gas. The state had to identify benchmarks for the initial development of the field as well as commitments for further development. Further, the state needed to take into account the context and history of its relationship with the operator. He concluded that this approach will need to be taken with each particular case.

VICE CHAIR P. WILSON said she has a feeling that Representative Hawker was seeking a "yes or no" response.

REPRESENTATIVE HAWKER agreed that Mr. Balash has provided a thorough answer. He maintained that he still has not received a clear "yes or no" answer.

MR. BALASH answered, "I'm happy to do that. I can be objective. I believe that I have been." He explained that the point he wanted to make was that part of the decision-making process is informed by our own experiences.

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REPRESENTATIVE SEATON inquired whether at end of project life the department should consider transferring any roads that were built to the North Slope Borough or other municipal entity rather than requiring dismantlement, removal, and restoration (DR&R) in the leases.

MR. BALASH answered the department will consider the role infrastructure has on the local government most impacted by oil and gas activities. The DR&R specifically imbedded in leases requires the lessee to return the property to a condition acceptable to the commissioner at the time of abandonment. He suggested opportunities may exist to sever an easement and road from the rest of the lease obligation. Certainly this could be explored up front, he said. However, he pointed out practical limitations may exist in order to preserve the obligation and not absolve lessees from their obligation.

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REPRESENTATIVE SEATON agreed that the state shouldn't absolve the leases, but he asked whether the department will hold any discussions with the "surface owners" to determine interest in preserving the assets derived from production or if it is within the commissioner's authority to make decisions and not impose the DR&R even though it is part of the lease. He further wondered if the lease should contain a provision to specifically allow the commissioner to negotiate terms for surface facilities acceptable to the municipality and the state.

MR. BALASH pointed out that in most instances on the North Slope, the surface and subsurface owner is the state. Most of the discussions he has held with the North Slope surround whether to garner additional acres to fulfill the North Slope's municipal entitlement. In fact, this has been and continues to be a struggle, he said. In terms of split estate situations, which occur most often on the Kenai Peninsula, it would vary

depending on the surface owner. Certainly from a municipal standpoint, the opportunity to sort out how to pursue the DR&R is something he hopes future commissioners will take into account. His goal as commissioner would be to keep long-term goals in mind in abandonment instances. He concluded, in many cases, it would be beneficial to preserve pads and roads so long as they are clean.

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REPRESENTATIVE KAWASAKI shared a camp anecdote from 1992 that illustrated he has known Mr. Balash since they were children. He then said that in 2006 and 2007, part of the Alaska Gasline Inducement Act (AGIA) dealt with basin control and who owned the basin. During AGIA and referring to the issue of access and the issue of basin control, Mr. Balash's predecessor, Tom Irwin, said, "If I were producer I might have the same trouble too, if I wanted to control Alaska's gas basin." He asked him to highlight his position and indicate whether it has changed.

MR. BALASH answered that he continues to have concerns around basin control and seeks to find solutions, although he noted the challenges are more difficult for oil than for gas, in part, because the state is starting fresh on gas issues. In fact, some terms in the Heads of Agreement were included due to prior battles. However, he offered his belief that the oil and gas companies want to avoid conflicts and desire solutions, too. He viewed one challenge will be how to structure new development in a truly efficient way. He characterized the amount of resources in current fields and in the ground as "mindboggling." Typically in Cook Inlet, big legacy assets have been consolidated by Hilcorp [Energy Company]. Hilcorp has paid attention to the "little bits" and has been "stringing them together" to create an impressive "turnaround" in Cook Inlet production. However, he was unsure this transition could occur on the North Slope since the infrastructure is so big and expensive. The challenge on the North Slope will be to attract smaller operators to achieve what the bigger companies can't do because they can't attract the investment within the corporation to accomplish or are not interested for other reasons. He hoped the state will be able to maintain a respectful and positive dialogue with the incumbents since a good relationship will be necessary.

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REPRESENTATIVE KAWASAKI asked how Mr. Balash would improve relationships with the smaller independents in order to get more oil in the pipeline.

MR. BALASH suggested the natural tendency is to over-generalize by calling any company an independent that is not one of the "big three" oil and gas producers: ConocoPhillips Alaska, Inc. (Conoco), BP Exploration (Alaska) Inc. (BP), and ExxonMobil Alaska Production, Inc. Often times problems arise when it is perceived all companies will receive the same treatment. However, in his experience, some companies have great ideas but do not have financial ability to live up to their commitments in terms of unit agreements and development plans. He contrasted this with his observations from Repsol, which has fulfilled its drilling obligations in units. He emphasized the DNR has been working to rectify this situation with "non-incumbents" - a label he prefers over "independents." He acknowledged the DNR must work harder to assess whether a company is capable of fulfilling its commitments. In response to a question, he said Tom Kelly helped identify the state's selections on the North Slope.

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REPRESENTATIVE KAWASAKI identified former Commissioner Kelly as a DNR commissioner under former Governor Walter Hickel, who was selected since he was an "oil man" the governor felt could work with the industry. He provided some details on Mr. Kelly's background to highlight the juncture he believes the state is at in terms of natural gas development. He recalled Mr. Kelly indicated that when dealing with the public resource, the highest price is the fairest price since the state has the fiduciary responsibility to maximize the state's value of its resources. He asked Mr. Balash what that statement means to him.

MR. BALASH responded that "the highest price is the fairest price" is a pretty good rule to use. He identified one challenge is to maximize the state's share by getting the highest price for the state's royalty. He acknowledged some Fairbanksans want reductions in the state's royalty share since they believe it will result in reduced costs for heating oil, gasoline, or that it will keep the [Flint Hills] refinery operating. However, he agreed he must look beyond this narrow constituency to fulfill his obligations as commissioner. He agreed the challenge will be to get the highest price for the resource the state owns and manages.

MR. BALASH highlighted the distinction between the derivation of the share of the state's ownership - the royalty interest - and the state's share of the production tax. He cautioned that the state must be very careful when it assesses production taxes since ultimately production taxes will affect the state's royalty interest. Although the legislature has struggled with this question in the past several years the state has worked itself to "a pretty good spot all in all," he said.

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REPRESENTATIVE SEATON asked for Mr. Balash's perspective on public involvement and the public process in terms of state assets ranging from agriculture leases to oil and gas leases. He noted the state has experienced reductions in the public process, whether it was coastal zone management or under HB 77.

MR. BALASH viewed the challenge in managing public lands as striking the "sweet spot" between routine and unique processes. For example, he viewed a difference between the public process in long-term land disposal and short term situations that don't have a lasting effect on the resource. Granted, transparency when granting permits and authorizations is important, but the state must also focus on today's tools and not on outdated processes and systems. In fact, how the public can participate changed dramatically over time and yet people still complain that they didn't know a permit was being granted or that a project was happening in their neighborhood. He favored a "more is better" approach in terms of public involvement with land disposal, but he believes the department can trust resource managers to identify and apply the rules in a specific way on routine matters. He remarked that some provisions in HB 77 may actually require more public notice than the state presently has for some key and routine authorizations.

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REPRESENTATIVE SEATON asked what Commissioner Balash's philosophy is on temporary water use permits being sequentially offered. He wondered what the balance would be in terms of issuing a water rights permit for the life of a long project as compared to using temporary water permits to accomplish this without public process.

MR. BALASH acknowledged this issue has received a lot of interest but ultimately it might not be up to the commissioner

to decide. Additionally, other permits and review processes are necessary for most projects, not just a water permit in order for a project to move forward. Thus, he would advocate for more involvement in terms of public noticing and comment in instances in which other permits and review processes weren't being used. Although providing the public access to a list of water use permits in an area could happen, it shouldn't be necessary to formally notice each water use permit in the newspaper or at U.S. Post offices.

[2:50:07 PM](#)

REPRESENTATIVE JOHNSON recalled that under the AGIA process, ExxonMobil Corporation (Exxon) joined with TransCanada. Now, Exxon and TransCanada operate, but Exxon, BP, and Conoco also operate in the state. He asked him to comment on the contractual relationships. He further asked whether he could just declare AGIA non-economic and the state could pursue the best partners. He further asked whether Exxon and TransCanada make the best partners for the state.

MR. BALASH responded that the steps taken by Exxon in 2009 to align with TransCanada in the AGIA framework were critical. While ExxonMobil aligned closely with TransCanada, it did not take on all the AGIA obligations or fully become part of the license. Instead, Exxon aligned closely with the licensee in a commercial relationship. That alignment provided an opportunity and dialogue. The companies were prepared to acknowledge that the state had certain key interests that were critical to the state's long-term goals surrounding resource develop and commercialization of Alaska North Slope (ANS) gas in particular. He couldn't imagine arriving at this juncture or reaching the Point Thomson settlement without that alignment having taken place. He pointed out the history in 2007 and 2008, but in 2009 the dialogue occurred in how to advance the state's interests at the same time recognizing the interests and key factors that would affect decision-making on the part of one of the lessees, in this case, the one that holds the largest interest in gas on the North Slope.

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MR. BALASH, in terms of the current relationship between the licensee and Exxon, stated that last year during the concept selection agreements that exist between all parties, the relationship broadened out to include BP and Conoco. He characterized the AGIA license as a vehicle of convenience for

everyone, one that has helped keep everyone moving along in a path that works for everyone. At the same time, the state has been able to create a path forward that allows the state an opportunity to step out of the license and move into a new framework that fully recognizes everyone's interests moving forward. He asked for further clarification on the contract reference between Exxon and TransCanada.

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REPRESENTATIVE JOHNSON clarified it would be the commercial agreement where Exxon aligns itself with TransCanada. He recalled TransCanada said that no one is happy unless Exxon is happy. He asked whether Exxon is "double dipping" due to its agreement with TransCanada.

MR. BALASH answered he is unaware of any side deals between Exxon and TransCanada with respect to the equity interest that is represented by the state's gas share in the Heads of Agreement (HOA).

REPRESENTATIVE JOHNSON requested further clarification on the commercial agreement Exxon has under AGIA.

MR. BALASH agreed. In further response to a question, he agreed this is still the "law of the land."

[2:56:37 PM](#)

REPRESENTATIVE JOHNSON suggested that somewhere the state is partnered with Exxon and TransCanada in the state's 25 percent. He was unsure of the percentages that Exxon and TransCanada have discussed. He acknowledged the commissioner would not be aware of the commercial agreement between TransCanada and Exxon. Again, he asked whether the state is partnering with TransCanada and Exxon and thereby giving up negotiation rights to them.

MR. BALASH answered that the partnership with Exxon, BP, and Conoco to get to Alaska's 25 percent is embodied in the HOA. As far as any parties the state partners with further on the 25 percent is a function of the agreement with TransCanada in the body of the MOU. He said he is unaware of any further dilution or interest that Exxon might have in or through TransCanada for the midstream interests in the project.

[2:58:25 PM](#)

VICE CHAIR P. WILSON inquired whether it is possible given the confidentiality of TransCanada and Exxon's agreements.

MR. BALASH answered that the agreement that aligned those two parties in 2009 - the Interim Project Agreement - is one the state did have access to review. Further, the Project Funding Agreement was associated with it and that agreement specifically was in place to identify how the parties would pay for their respective shares of work under the license in order to fulfill the license, even though the work was legally being conducted by an entity that was not the licensee. However, TransCanada does have an obligation to inform the state of any further agreements between the parties and the state has not been informed of any other agreement.

MR. BALASH explained that over time, as the concept agreements were struck, and subsequently BP and Conoco were involved there were some refinements made to the way reimbursements flowed; however, that is something the state has monitored.

VICE CHAIR P. WILSON inquired whether DNR has actually asked the questions.

MR. BALASH offered to call this evening.

[3:00:39 PM](#)

REPRESENTATIVE OLSON asked whether two TransCanada's are in play in Alaska.

MR. BALASH answered yes; that is correct in terms of which corporate entity is playing specific roles.

REPRESENTATIVE OLSON inquired whether his previous comments would apply to both TransCanada companies.

MR. BALASH asked for further clarification on whether he meant the relationship between TransCanada and Exxon. He clarified that in previous comments he was referring to TC Alaska, which is the Alaska U.S. entity that is the licensee.

[3:01:29 PM](#)

VICE CHAIR P. WILSON opened public testimony. After determining no one wished to testify she closed public testimony on the confirmation hearing.

[3:01:54 PM](#)

REPRESENTATIVE HAWKER said he appreciates the latitude members were given to ask questions. He remarked he could not help but be concerned by the comment that called the AGIA license a vehicle of convenience. He might suggest "an inconvenient vehicle of questionable necessity."

REPRESENTATIVE HAWKER moved to forward the name of Joe Balash as commissioner designee for the Department of Natural Resources to the joint session of the House and Senate for consideration. He reminded members that signing the reports regarding appointments to boards and commissions in no way reflect individual members' approval or disapproval of the appointees, and that the nominations are merely forwarded to the full legislature for confirmation or rejection.

[3:02:57 PM](#)

REPRESENTATIVE TARR asked whether Commissioner Designee Balash could be before the committee at the next hearing.

REPRESENTATIVE HAWKER pointed out a motion is on the table.

[3:03:37 PM](#)

The committee took an at-ease from 3:03 p.m. to 3:05 p.m.

[3:05:02 PM](#)

There being no objection, Mr. Balash's name was advanced to the joint session of the House and Senate for consideration.

REPRESENTATIVE HAWKER remarked that he believes Mr. Balash is willing to speak to Representative Tarr at any time.

[3:06:02 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 3:06 p.m.