ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE
February 4, 2013
3:30 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Fred Dyson, Vice Chair
Senator Peter Micciche
Senator Click Bishop
Senator Anna Fairclough
Senator Hollis French

MEMBERS ABSENT

Senator Lesil McGuire

COMMITTEE CALENDAR

PRESENTATION: Oil Resources Economic Challenges and Opportunities by Bradford Keithley

- HEARD

SENATE BILL NO. 27
"An Act establishing authority for the state to evaluate and seek primacy for administering the regulatory program for dredge and fill activities allowed to individual states under federal law and relating to the authority; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 26
"An Act relating to the Alaska Land Act, including certain authorizations, contracts, leases, permits, or other disposals of state land, resources, property, or interests; relating to authorization for the use of state land by general permit; relating to exchange of state land; relating to procedures for certain administrative appeals and requests for reconsideration to the commissioner of natural resources; relating to the Alaska Water Use Act; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 27
SHORT TITLE: REGULATION OF DREDGE AND FILL ACTIVITIES
SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/18/13	(S)	READ THE FIRST TIME - REFERRALS
01/18/13	(S)	RES, FIN
02/02/13	(S)	RES AT 10:30 AM BUTROVICH 205
02/02/13	(S)	Heard & Held
02/02/13	(S)	MINUTE(RES)
02/04/13	(S)	RES AT 3:30 PM BUTROVICH 205

BILL: SB 26
SHORT TITLE: LAND DISPOSALS/EXCHANGES; WATER RIGHTS
SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/18/13	(S)	READ THE FIRST TIME - REFERRALS
01/18/13	(S)	RES, FIN
02/02/13	(S)	RES AT 10:30 AM BUTROVICH 205
02/02/13	(S)	Heard & Held
02/02/13	(S)	MINUTE(RES)
02/04/13	(S)	RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

BRADFORD KEITHLEY, Partner & Co-Head
Oil & Gas Practice
Perkins Coie, LLP
Anchorage, Alaska
POSITION STATEMENT: Presentation: Oil Resources: Economic Challenges and Opportunities

JAMES SULLIVAN, Legislative Organizer
Southeast Alaska Conservation Council (SEACC)
Juneau, AK
POSITION STATEMENT: Neutral position on SB 27.

GUY ARCHIBALD, Coordinator
Mining and Clean Water, Southeast Alaska Conservation Council (SEACC)
Juneau, AK
POSITION STATEMENT: Supported Mr. Sullivan's testimony on SB 27.

JOHN HARRINGTON, representing himself
Ketchikan, Alaska
POSITION STATEMENT: Supported SB 27.

TOM WILLIAMS, Director
Planning and Community Development
Borough Assembly
Ketchikan, Alaska
POSITION STATEMENT: Supported SB 27.

KARA MORIARTY, Executive Director
Alaska Oil and Gas Association (AOGA)
Anchorage, Alaska
POSITION STATEMENT: Supported SB 27.

WYNN MENEFEE, Chief of Operations
Division of Mining, Land and Water
Department of Natural Resources (DNR)
Juneau, Alaska
POSITION STATEMENT: Provided sectional analysis of SB 26.

ASHLEY BROWN, Assistant Attorney General
Department of Law (DOL)
Anchorage, Alaska
POSITION STATEMENT: Answered legal questions on SB 26.

ACTION NARRATIVE

3:30:24 PM
CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Fairclough, French, Bishop, Dyson, Micciche and Chair Giessel.

Presentation: Oil Resources: Economic Challenges and Opportunities

3:31:16 PM
CHAIR GIESSEL invited Bradford Keithley to present "Oil Resources Economic Challenges and Opportunities."

BRADFORD KEITHLEY, Partner & Co-Head, Oil & Gas Practice, Perkins Coie, LLP, Anchorage, Alaska, said he was bearing his own expenses to testify here today and related that he had been an attorney in two roles in his life and had spent a total of 35 years involved with the oil and gas industry working with regional, national and global law firms. He had advised major oil companies, mid-majors, small independents and industrial consumers, and had started working on Alaska issues in 1993 and has continued doing so ever since. His primary office is in Anchorage, but he also has one in Washington, D.C., which is

where a lot of Alaskan business is conducted. He understands oil companies inside and out; his purpose today was to present an overview of where he thinks Alaska is headed.

3:39:20 PM
Why he cares? Mr. Keithley said he is part of the Alaskan economy and sees a decline in oil and gas activity. Exploration is happening, but people aren't moving forward with commercial activity; he is very concerned about where Alaska is headed, because it is at a critical time in its history.

MR. KEITHLEY said in January, the University of Alaska (UAA) Institute of Social and Economic Research (ISER) published "Maximum Sustainable Yield: FY 2014 Update" that analyzed where Alaska is currently and where it will be over the next 10 years (which is the focus of the annual Office of Management and Budget analysis). Then they take the analysis out beyond the 10 years.

3:42:46 PM
MR. KEITHLEY referenced his chart saying the state's cash reserves might fill the fiscal gap until 2023 and that a half million of those reserves come from non-oil revenues (things like corporate and state property taxes) a year, oil revenues that has the projected decline (based on current taxes and forecasts), and new oil that is forecasted to start around 2018 and expanding out beyond 2023.

He said general fund spending was projected to grow at a rate of 4.5 percent over the next 10 years, a very conservative growth rate, because over the last 10 years it grew in the neighborhood of 6 percent a year. ISER assumed 4.5 percent and that some spending cuts would be made based on what the administration has said so far.

MR. KEITHLEY said one can see that the difference between revenues in and expenditures going out don't match. Actually, Alaska is projected to go into deficit this fiscal year and the way the legislature and state have historically dealt with that is to use the cash reserves on hand; so if you look at the 10-year forecast you don't get all that concerned.

3:45:33 PM
However, ISER asked the critical question, the same one the industry asks when they are making investments: what happens beyond the 10-year mark? In terms of investments that is a very short timeframe. In ISER's words, "We do not have enough cash in

reserves to avoid a severe fiscal crunch soon after 2023, and with that fiscal crisis will come an economic crash." Beyond 2023 the expenses continue to increase, and while new revenues from gas are optimistic they aren't nearly enough. So, in terms of investing long term in this state, what does this tell the majors? That there is a huge yawning immediate gap between the levels of spending this state has gotten used to and the level of the revenues the state is going to receive and that is when the state will have to face a severe situation it has had to face very few times before. Increased production, alone, will not solve this problem, and this was where he was very concerned - as a citizen and a business person and someone who cares about this state a lot - about where the state is headed.

MR. KEITHLEY said when the governor talks about getting to a million barrels a day, those aren't all revenue producing barrels. There is no revenue coming to the state from those barrels coming from beyond six miles offshore in the Chukchi and the Beaufort Seas. The federal government gets those royalties and they are its second largest revenue source (behind income taxes), and it's going to have a fiscal crisis along the same lines Alaska is facing in 2023.

He asked if somehow royalty relief for Alaska got worked through the Senate, people really though the House of Representatives would pass it with the amount of savings Alaska currently has in its pocket. Mississippi, Louisiana and Texas have royalty relief, but it took Hurricane Katrina to get it. Hopefully, we never get a Katrina up here, but we're also not going to get saved by production increases. If oil gets up to $200-300 a barrel in order to get close to coming back to the expense line, it's not something the U.S. economy can stand. So, we're going to have to deal with it in a different way.

3:53:10 PM
MR. KEITHLEY said it's important to understand where Alaska fits in the global oil and gas industry picture and it's useful to break the modern oil and gas industry into four eras:

> The pre-Arab oil embargo, prior to 1973, that was accompanied by nationalization of all the Middle East oil resources and ultimately of the resources in Venezuela. Gradually, countries that didn't have much oil nationalized the oil they had, which essentially resulted in the foreclosing of private access to oil in the non-western countries.

Prior to that, there was significant access by major oil companies - the Seven Sisters - to global opportunities, but the identified opportunities were relatively limited. Technology wasn't anywhere near what it is today and there wasn't any significant production of unconventional resources or offshore production. Prior to 1973 there was very limited activity by non-majors outside of the U.S. What was then Phillips Oil Co. was active in offshore Norway, Arco was active in Alaska (considered international), and smaller oil companies were active in spots throughout the world.

There was significant access by major companies to global opportunities and when you look at their budgets they had a fairly broad place in which to place their money.

What happened next is key to understanding how Alaska got where it is. In 1973 the oil embargo hit, followed closely by nationalization of most of the oil resources in the Middle East, Venezuela and the rest of the world. OPEC had been set in place before that, but now gained strength.

With the fall of the Soviet Union, there was little access for oil companies outside of the West. They couldn't go into the Soviet Union, which then extended through Central Asia, and couldn't go into China, didn't go into India because we had a cold war at the time and it wasn't aligned, or Africa, because it was being divided up between the West and the Communist Block, and there wasn't much activity there because of possible coups. You were largely foreclosed throughout South America and so there was a very significant narrowing of opportunities among the industry. That caused industry to focus activity on the West and that is when Alaska became an opportunity along with the North Sea and the Gulf of Mexico.

3:57:39 PM

The fall of the Soviet Union (early 1990-early 2000s) was the next event that changed things. It opened up Russian and Central Asia; Africa, India and China also began opening up. As access has increased, so has the level of global competition among nations for oil investment.

3:58:48 PM

We are entering a fourth era, the technology era. These eras are defined by access, he explained. So prior to 1973, fairly broad access by the majors; 1973 to the fall of the Soviet Union constrained access; after the fall of the Soviet Union broadening access; and now technology has broadened access again, not necessarily to countries, but to resources within countries. Deep water is a good example - offshore Brazil and Angola and offshore Eastern Africa in Mozambique. Access not because of changes in governments or policies, but because of changes in technology, and that has expanded places to put money.

Shale is another good example of expanding opportunities Mr. Keithley said. Before the advent of shale technology, Lower 48 gas plays were relatively dried up. With shale technology, Lower 48 gas is back in play and those plays are being found increasingly worldwide.

4:00:51 PM

MR. KEITHELY said Alaska began its development between the Arab oil embargo and the opening of the Soviet Union; it received its heaviest investment when competition was limited, but now it is one of the very many places for oil companies to invest.

How do companies decide among projects? Mr. Keithley said that was covered in a previous presentation by PFC, but there are a number of factors to mention. The Fraser Institute, based in Calgary, does a Global Petroleum Survey annually that analyzes how companies view various jurisdictions and various places to put their money. They divide the factors into three categories: the commercial environment, its regulatory climate, and the geopolitical risk. Each category has several sub-factors:

Commercial Environment Analysis:

- fiscal terms
- taxation regime
- trade barriers (for instance, Russia requires a significant portion of the oil to the Russian market at reduced prices)
- quality of infrastructure (do the resources have access)
- labor availability
- corruption

4:04:40 PM

Regulatory Climate:

- Cost of regulatory compliance
- Uncertainty regarding the administration, interpretation, and enforcement of regulations
- Uncertainty concerning the basis for and/or anticipated changes in environmental regulations
- Labor regulations, employment agreements, and local hiring requirements
- Regulatory duplication and inconsistencies
- Legal system fairness and transparency

Geopolitical Risk:

- Identify which companies are good and where they're placing their bets
- Divides the world into four quartiles of jurisdictions in terms of attractiveness for capital resources, the first being the most attractive. During the Arab oil embargo and the fall of the Soviet Union most of the world would have been off limits. Now most of it is available. Alaska is yellow corresponding to the third quintile. The OCS is dark blue and is perceived as a better place.
- Size of potential reserves
- Size of required investment
- Sense of strategic importance to an individual company
- Capital availability within a company

He said no one factor is determinative, but that ultimately economics is the driving factor. Projects are reduced to some measure of economic performance using an internal rate of return (IRR) hurdle rate and then ranked in some kind of order. Then a company uses some cut off criteria and decides which projects are going to be funded, or not, over time. Alaska used to be very high on the curve, and it used to be relatively simple to get funding for its projects, but it has fallen significantly over the last few years and as a general matter is below most hurdle rates and not getting funded currently.

4:09:58 PM
He reiterated that Alaska got its initial funding when the large areas were closed and there was limited competition for capital and focus was on Western projects. The two big areas that got funded during that period were the North Sea and Alaska.

CHAIR GIESSEL asked if the funding that allowed Alaska to begin being explored and pursued came from companies who had made that

revenue in another location and they moved it here, because this was the next opportunity.

MR. KEITHLEY answered yes; in the beginning Alaska was a way for a company to distinguish itself. ARCO is the best example; it was a Lower 48-constrained smaller company that was looking for a way to make its reputation, and the bet paid off.

CHAIR GIESSEL asked how Cook Inlet facilitated the North Slope's development.

MR. KEITHLEY replied that it played a relatively minor role. It put Alaska on the oil map so people didn't think of it like Paraguay, and it started the support services sector up here. He stated that according to the Energy Information Agency (EIA) 2009 study called "Arctic Oil and Natural Gas Potential," Alaska is relatively lucky to have the industry it has.

It said that large Arctic oil and natural gas fields are particularly crucial with respect to future oil and natural gas development, because the cost of developing oil and natural gas fields in the Arctic is so high that large fields are initially necessary to pay for the infrastructure required for later development of the smaller oil and natural gas deposits. For example, without the Prudhoe Bay field it is unlikely that smaller Alaska North Slope oil fields would have been developed.

4:15:00 PM
He emphasized that because small fields are out there and Prudhoe Bay is in decline, it's important to understand that small fields don't drive Arctic development. Frankly, he said Alaska had not fared well in capital competition beyond Prudhoe Bay and Kuparuk during the post-Soviet era (once access opened up). The reasons are that even before taking fiscal terms into account, Alaska is a challenged environment; it's remote, high cost, and has extreme environmental conditions, all the reasons the EIA study says you don't get investment in Arctic plays.

This is consistent with global reality. The EIA report goes on to say as of 2009, 15 large Arctic oil and natural gas fields were awaiting development. Most were discovered in the 1970s and 1980s; 13 of them are located in North America where oil and natural gas field development is governed by market-based economics with fields only being developed if and when they are expected to generate sufficient profits. Of the 17 large Arctic fields located in North America, only 3 have been developed, all

located in Alaska around the Prudhoe Bay complex. (Thank heavens for Prudhoe Bay.)

MR. KEITHELY said Alaska has been successful in attracting capital to Prudhoe Bay and Kuparuk and that the focus has been on increasing recovery rates. As a science project, Prudhoe Bay and Kuparuk are one of the most successful known to mankind. People wanted to come to Alaska, because it provided great science opportunities to understand oil and gas fields and recovery rates. Prudhoe Bay at 35 billion barrels is the largest field in North American, but original recovery rates were 40 percent. Over time, through significant investment by the companies and a lot of brain power and trying new things, it went up to 60 percent. This is called a legacy field - where oil is easy to produce.

4:19:53 PM
MR. KEITHLEY said if we make decisions that stop people from trying to find ways to increase the recovery rates in existing fields, it may be the ultimate barrier, but industry has been very successful in attracting capital and finding ways to increase the recovery rates in Prudhoe Bay and that has been a large part of the Alaska success story that gets lost in a lot of the telling.

SENATOR FRENCH asked if there is a difference between not being the most competitive internationally in your economic terms and "penalizing" companies. Are we penalizing the companies on the North Slope right now given their per barrel and annual profits?

MR. KEITHLEY answered yes. In this situation "penalizing" to him means we are not providing companies with the best economic opportunity to realize an attractive return on their investment.

SENATOR FRENCH said that was a different definition than most people use.

4:22:00 PM
MR. KEITHLEY said under ACES, Alaska overtaxed the existing fields in order to create revenues to run the state and to provide credits for exploration in other areas. To him, overtaxing one area in order to provide credits to another area is penalizing the area being overtaxed.

He remarked that Alaska has also been fortunate in the development of its oil because of the companies involved. According to the EIA report, the high cost of doing business in

the Arctic suggests that only the world's largest oil companies, most likely as partners in joint venture projects, have the financial, technical and managerial strength to accomplish the costly long-lead projects dictated by Arctic conditions.

People talk about the next wave of independents and the smaller companies coming in, but from a globally context that is not what really happens. The majors are the ones that have the deep pockets to be able to invest in those projects and wait them out through all of their challenges. When the mid-majors and independents come in, they are really good at scraping rocks and finding niches that were overlooked by the majors, but they don't have the technology or the skill set (intentionally don't try to develop those) to develop new challenged resources.

SENATOR FRENCH asked which major had been leading the charge on shale oil, because he understood that it was mostly an independent development.

MR. KEITHLEY replied that shale oil started as an independent development, but Exxon has come in with fairly major funds by acquiring XTO, BP has the Chesapeake as a land play (taking a position in an area and then sell it off) and Marathon has provided substantial funds to Eagle Ford (that is why they are selling out of Alaska).

SENATOR MICCICHE asked if Prudhoe Bay's 60 percent of technically recoverable oil could go higher with better economics.

MR. KEITHLEY responded that based on Securities and Exchange Commission (SEC) reports companies have made, he would anticipate yes, if margins were better so that technology could be developed to improve recovery rates.

4:26:56 PM
According to testimony by Bill Barron, the director of the Division of Oil and Gas, Mr. Keithley said Alaska has significant remaining potential, even in the existing areas. Basically, the historic production from Prudhoe Bay and Kuparuk fields have been from the Kuparuk formation, but as you come up through the layers of formations, a substantial amount of additional oil is in layers that have not been developed very well. West Sak has had some development, but a lot of resource remains. In addition to the viscous and the heavy oil, there are satellite opportunities in these fields: formations that may contain conventional oil, but in relatively small formations

that can't be accessed easily from existing infrastructure. These have to be looked at as new fields that need to be drilled and developed - making them economically challenged (ramp up, building well pads and drilling wells, building the infrastructure to separate the fluids).

Finally, refocusing on the success so far, there is always the potential for increasing recovery rates over time, and encouraging investment to go after increasing recovery rates is every bit as important as going after new oil. But to go after these opportunities in Alaska requires investment. Mr. Keithley used a chart BP used in 2006 before this committee that illustrated Alaska's potential going forward: the decline curve down to 2006 and three potential futures for Alaska going forward. One was with zero investment, which showed a 15 percent decline; the second was maintaining the status quo of $1-$1.5 billion/year investment that showed a 6 percent decline.

4:30:01 PM
The third future and the one he wanted to focus on had doubled investment and a decline curve of 3 percent. The amount of total oil recovery goes up to 7.5 billion barrels of oil (at $100/barrel, that's $400 billion of additional value) compared to 3.6 billion barrels for the status quo.

4:31:42 PM
SENATOR FRENCH said he recalled BP making this presentation back in 2006 and asked if Mr. Keithley meant Alaska is doing great if it gets $2-$3 billion more investment per year.

MR. KEITHLEY replied in 2006 dollars yes, and it would have to be focused on below-ground drilling technology going after new resources, not investment in above-surface facilities to do maintenance, redo lines, and improve safety.

SENATOR DYSON asked if he anticipated the curve flattening out from production in the legacy fields within existing units.

MR. KEITHLEY answered yes and that included heavy and viscous oil.

SENATOR DYSON said ACES gave credits largely to non-legacy fields and asked if that was done deliberately.

MR. KEITHLEY said he didn't think it was fair to say that the legislature was intentionally penalizing the legacy fields, but that was the effect.

SENATOR DYSON said it was the perception of some that more of the credits taken within the legacy portion of the units was spent on repairing and replacing old equipment rather than doing things leading to new production.

MR. KEITHLEY said he hadn't analyzed the capital expenses, but a significant amount was spent on those necessary expenditures.

4:35:53 PM
SENATOR FAIRCLOUGH asked if he recalled that ACES ring fenced expenditures on the Prudhoe Bay fields and didn't allow cost recovery for a period of years.

SENATOR FRENCH clarified that ACES capped the amount of deductions that could be taken for operating expenses in Prudhoe Bay for the first three years.

SENATOR FAIRCLOUGH said she viewed that as a penalty at the time.

SENATOR FRENCH commented that his silence should not be read as acquiescence to that definition.

SENATOR MICCICHE said he wanted slide 23 (about the projected declines and three futures) to be backed up and remarked that it was essentially saying if we could double investment we could slow the decline significantly to about half of the rate it is today.

MR. KEITHLEY agreed.

SENATOR MICCICHE said he wanted to know where that study came from and for it to be reprocessed in the future, because it is key to the debate.

MR. KEITHLEY said slides like this were used last year.

4:39:47 PM
SENATOR DYSON noted that before 2000, the decline was 15 percent or more and asked if that is when enhanced oil recovery (EOR) started to be used.

MR. KEITHLEY responded that EOR was part of that.

SENATOR DYSON asked when ACES started affecting investment.

MR. KEITHLEY went to slides 25 and 26 based on information taken from ConocoPhillips' SEC reports that broke down their capital investments worldwide from 2006 through 2009 and 2009 forward. In 2006, Alaska was the top line under E&P; in 2008 oil prices started spiking and $1.4 billion was invested and then the ramp down started to $730 million in 2010. The ACES slowdown started in 2009.

SENATOR DYSON said it looks like there was as much investment in 2009 as in 2006.

MR. KEITHLEY explained part of what was going on is that oil field services are becoming much more expensive, rigs are in much higher demand and logistics and people are in much higher demand also. So, if investments are staying level, they are actually falling behind. In other words, the dollars may stay the same, but their impacts are significantly reduced in the subsequent years.

4:43:36 PM
MR. KEITHLEY said in his remaining time he wanted to focus on where to go from here and the best tool Alaska has to try to attract additional dollars is its fiscal policy:

- Having a competitive rate
- Having a rate that is durable
- Having neutrality; that is not treating some investments better than other investments
- Having simplicity/predictability
- Having alignment

SENATOR DYSON said if he was a major investor, he would look at one of the earliest charts and think the state would be going broke in a few years and worry about being the deep pockets. So, getting the state's fiscal policy in order sends a better signal that they are not at risk when we go in the ditch.

MR. KEITHLEY said exactly; that is one of his main points. When oil companies look at their large investments they look at 20 and 25 years out. As important as fixing taxes is, fixing the state's fiscal policy is just as important. If we don't do that, it's sort of rearranging the deck chairs on the Titanic as we deal with taxes.

4:47:43 PM
SENATOR BISHOP said he didn't agree that we would "stick it to them," because he knew of concessions the state had made. But he

agreed that the state needs to be more prudent with its budget planning going forward.

SENATOR FRENCH said he disagreed on many of Mr. Keithley's assessments, but on page 33 of his handout where it says the state changed its tax structure when it needed more revenue just wasn't true. In 1999, this legislature took $1 billion out of its Constitutional Budget Reserve (CBR) and never said a peep about raising taxes and from 1989 until 2006 the state didn't touch its oil taxes while seriously depleting the CBR. He was here in 2006 and 2007 and neither one of those conversations was driven by revenue. One was driven by a gas pipeline contract and the other was driven by corruption and the need to fix some errors in the first stab at it.

MR. KEITHLEY said there had been a lot of ways that taxes had been increased in the state. The Murkowski administration announced he was collapsing the ELF calculation on Prudhoe Bay and that had a huge impact on revenues.

4:50:13 PM
MR. KEITHLEY said the final point he wanted to make that is important in terms of fiscal policy is that this state doesn't have a good mechanism for staying aligned with what investors are doing. It was not that important during the height of Prudhoe Bay and Kuparuk when investment sort of took care of itself, but as we get to smaller fields and more economically challenged opportunities like heavy and viscous, it's increasingly critical that this state maintain a way of staying in touch with investors in order to attract new investment. Commissioner Sullivan has said for this industry to continue going forward, roughly $4 billion a year of investment is needed. And he didn't think there was any way, even with the tax changes, that would happen. The state just doesn't understand the industry well enough to attract that type of investment.

4:52:13 PM
One other approach he thought the committee should consider was summarized on pages 30 and 31; one of the best approaches he had found in the world particularly when the state owns the resource and drives a lot of investment is in Norway. He was talking about a company called Petoro, which is an investment arm of the Norwegian government. Petoro co-invests alongside industry and as a result, the state has skin in the game. It looks at investment opportunities in the same way that private investors do and puts the state in partnership with the industry as opposed to an antagonistic relationship, which is what Alaska

has currently. Petoro has actually gone out and identified opportunities that industry has overlooked in the development of Norwegian resources.

SENATOR DYSON remarked that by the time Norway grants leases all the permitting issues have been resolved, but it seems that Alaska is incapable of doing that both because of the federal government and our legal system.

4:55:05 PM
MR. KEITHLEY said he was absolutely right and we wouldn't want to do everything Norway does, but some pieces would be useful.

SENATOR FRENCH said he completely agreed with him on this point and that the state had taken some baby steps with investing alongside industry with the Alaska Industrial, Development and Export Authority (AIDEA).

SENATOR BISHOP said he also supported a percentage of state ownership.

MR. KEITHLEY said the industry divides into upstream, midstream and downstream, and TAPS is midstream. The co-investment that he thinks has driven Norway's success is in the upstream segment, because that is where the money is in terms of identifying developments that would otherwise be overlooked. An experience in Brazil, which also has a co-investment model, is fascinating. The Brazilian legislature proposed increasing taxes on industry, but the chief opponent to that was Petrobras, the state oil company. The reason they were opposed is because they knew what it would do to Brazilian production and were able to explain it. Alaska doesn't have anything like that since it doesn't have a stake in investing. To him, Pt. Thomson is a very foolish policy. We told industry to invest $2 billion to go get gas in a field that is only going to produce 10 thousand barrels a day. That $2 billion could have been invested in developing oil in Prudhoe Bay, which we need. We didn't understand as an investor what it was going to do to production levels.

CHAIR GIESSEL thanked Mr. Keithley very much for his presentation and announced an at ease.

5:00:15 PM
At ease from 5:00 to 5:15 p.m.

SB 27-REGULATION OF DREDGE AND FILL ACTIVITIES

5:15:11 PM
CHAIR GIESSEL called the meeting back to order at 5:15 p.m. and announced SB 27 to be up for consideration.

JAMES SULLIVAN, Legislative Organizer, Southeast Alaska Conservation Council (SEACC), said he was neutral on SB 27, because its fiscal note showed approximately 12 employees being added to DNR and DEC, but they would come back with another budget request. The size of this new division had not been expressed, so, the real fiscal implications were unclear. Second, it's unclear which adjacent wet lands to certain navigable waters will remain under the federal program, and this confusion makes it impossible for them to understand what the intent of the administration is. He hoped that some of those questions could be answered in this committee before it moved on.

5:18:09 PM
GUY ARCHIBALD, Coordinator, Mining and Clean Water, Southeast Alaska Conservation Council (SEACC), supported Mr. Sullivan's testimony on SB 27. He said this is a duplication of an already existing very large permitting operation that the Army Corps runs. He did a quick search and found there are probably 30 different Army Corps people who work within Alaska. So that's the capacity they are talking about here. He didn't see the need for this bill.

He explained that every year the Fraser Institute does a survey of mining companies seeking to develop around the world. In 2012, they sent out over 5,000 surveys and got 800 back. Of those 800 companies that responded, they represent over $30 billion of investment in the mining projects around the world. Out of 90 separate mining districts in the world, Alaska ranked number 4 for both the permitting and resource evaluation. So, having the current system is not a deterrent to any kind of investment in this state at all, according to the mining companies that do the investment. He just didn't see the need for the state to take on this large burden of doing this permitting.

MR. ARCHIBALD said he also tried to find an instance where someone had successfully challenged an Army Corps 404 permit and couldn't find one, so apparently they do an outstanding job.

5:20:30 PM
JOHN HARRINGTON, representing himself, Ketchikan, Alaska, supported SB 27. He had served in various capacities with the

borough, school board, planning commission and assembly and supported this initiative for several reasons. The Ketchikan Gateway Borough is roughly the size of the State of Connecticut and 96.5 percent of that area is owned by the federal government. Of the remaining 3.5 percent, the vast majority is owned by state, municipal governments, Native corporations, Mental Health Trust and the University Lands; the remainder of .03 percent is all that is held privately. This is the land that supports all of their programs tax-wise and because they happen to live in a rain forest that gets 12-14 feet of rain a year, it's always wet, so the Army Corps has interpreted "wetlands" very broadly to include all of the privately owned lands in the Ketchikan area. This puts an incredible burden on them as far as economic development; they could literally pave the entire .03 percent and have no demonstrable change in the water quality of their community.

5:22:26 PM
TOM WILLIAMS, Director, Planning and Community Development, Ketchikan, Alaska, supported SB 27 on behalf of the Borough Assembly.

5:23:12 PM
KARA MORIARTY, Executive Director, Alaska Oil and Gas Association (AOGA), Anchorage, Alaska, supported SB 27. She applauded the governor's efforts to streamline the permitting processes as he has in the past with the introduction of bills like this and SB 26 authorizing general permitting and reforming procedures relating to the disposal of exchange of state lands. They appreciate the administration's intent to encourage responsible development of Alaska's resources by simplifying the permitting process. As they all go through the process of assuming primacy, they want to ensure being careful that the assumption of the section 404 primacy tangible streamlines the permitting process and does not instead result in duplicative or more cumbersome process, which is not the intent.

To date, only two states, Michigan and New Jersey, have assumed 404 primacy and this is in contrast to the 45 states that have assumed primacy of point source discharge programs under section 402, commonly referred to as the NPDF Programs. AOGA was allowed to participate in that process, which did result in a more efficient permitting process. The state primacy of dredge and fill permitting may pose additional administrative and financial burdens that may be unique to section 404, but they won't know what all of those are in detail until the state is allowed to start the process.

They applaud the administration's spoken objective to also pursue shared general permitting responsibility with the Corps in non-assumable waters by development of a state programmatic general permit. Both are seen as good steps. They are cognizant that there may be concerns with the section 404 assumption, such as not knowing for sure which wet lands and waters may or may not be subject to state assumption, but they know that those concerns will be examined more thoroughly by the administration after passage of this bill, which will allow the state to communicate with the Environmental Protection Agency (EPA) and the Corps on these issues.

MS. MORIARTY said if the bill is passed, they look forward to working in tandem with the administration and other stakeholders to ensure that the section 404 assumptions will be effective for both the state and the development community and that it is achievable in Alaska without unduly burdening state resources.

CHAIR GIESSEL, finding no further comments, closed public testimony, and said the bill would be held for a hearing in the future.

SB 26-LAND DISPOSALS/EXCHANGES; WATER RIGHTS

5:27:03 PM
CHAIR GIESSEL announced SB 26 to be up for consideration.

WYNN MENEFEE, Chief of Operations, Division of Mining, Land and Water, Department of Natural Resources (DNR), said he would go through a quick sectional analysis of SB 26. He noted that some language at the back of the bill takes out sections and that can get confusing going through it section by section.

Section 1 deals with general permits. It allows the commissioner the ability to issue general permits for activities that are unlikely to result in significant or irreparable harm. It has exceptions for fish and game habitats (AS 16.20), the Alaska Surface Coal Reclamation Act (AS 27.21), forest resources (AS 41.17) and parks and recreation facilities (AS 41.21).

5:29:17 PM
SENATOR FRENCH asked what prompted the standard formula of "significant and irreparable harm" for issuing general permits.

MR. MENEFEE replied that the word "significant" is subjective and decisions have to be made on a case by case basis.

"Irreparable harm" is if you can't rehabilitate or repair something.

SENATOR FRENCH said their approach allowed them in all instances except for the four and asked if they thought about doing it the other way since this is the beginning of a fairly broad expansion of the permitting authority.

MR. MENEFEE responded that this is not an expansion of authority, but merely a clarification of it. Under AS 38.05.020 (a)(1) the department has the ability to prescribe different methodologies for permitting, which includes general permits. They have already done general permits and have "generally allowed uses," which is a whole host of things people can do without getting a permit. So, the commissioner's discretionary authority has been used; this just states specifically that general permits are allowed for clarification, because a lot of them are already being used.

SENATOR FRENCH asked how many general permits have been issued recently.

5:32:09 PM
MR. MENEFEE replied at the initial creation of a general permit there was very few; one last year, but the subsequent authorizations coming out of it ran from 50 to 100 and that would build over time. People can purchase non-timber forest products general permits on line and he could get that figure for him, but he didn't have a good number for the burn barrel type of permits.

SENATOR MICCICHE asked for the title that specifies the scope of general permits.

MR. MENEFEE said he was referring to AS 38.05.020(a)(1) and that is where general permits would be done. This statute would be specifically sited if this bill was adopted.

Section 2 removes the reference to an additional requirement that the director of the Division of Mining, Land and Water shall consult with other departments. This is where you have to refer back to section 43 in the back of the bill that talks about land exchanges. This provision also reinserts the part about following AS 38.05.035(e) into section 22. This section talks about giving notice of the land exchanges no later than three months after making the acquisition.

CHAIR GIESSEL asked if it would be beneficial to jump to section 22 for continuity of thought.

MR. MENEFEE said yes and explained that section 22 (starting on page 15) rolled in the applicable parts of the exchange, which includes public and agency review procedures, public notice, legislative approval for exchanges over $5 million, and equal values.

Section 23 says the director shall consider only the land and other considerations the state would convey to receive an exchange; and section 22 (on line 13, page 15) says that the director can equalize the value of the property or other considerations conveyed or received to the state. There may be other things besides just strict land value that could be used in that.

5:38:13 PM
MR. MENEFEE jumped back to section 3 that allows the director to contract for the sale of land and payments over time. It changes the threshold from $5,000 to over $10,000 and then just mentions a preliminary finding if it's a non-oil and gas related decision. On page 5, line 10, the director may make available to the public a preliminary written finding and provide opportunity for public comment for a period of 30 days.

CHAIR GIESSEL asked if the 30-day public comment period is standard.

MR. MENEFEE answered yes, for disposals of interest.

CHAIR GIESSEL asked what mechanisms he uses for notifying the public about any of these things.

MR. MENEFEE replied that they involve on line public notice, posting in newspapers and in a conspicuous location near the activity, reaching out to interest groups and notifying adjacent land owners. The statute says they have to do anything they consider needs to be done in order to notify the public.

CHAIR GIESSEL asked if any of the public notice methodology was being changed by this bill.

MR. MENEFEE answered no.

SENATOR FAIRCLOUGH asked for an example of issuing a preliminary report, because everywhere it's listed it says "may." So, it's at the department's discretion.

5:41:47 PM
MR. MENEFEE replied that putting the "may" in doesn't change a lot for the general public. Most of the litigation is based on a challenge of process more than of the actual decision. Sometimes they do issue preliminary written findings at times, even though they only have to do a written one for non-oil and gas disposal of interest, they want to make sure they don't have a situation where the public is going to hold up a project by just challenging on sheer process questions alone.

5:42:55 PM
He said section 4 clarifies that a person has to address how they are substantially affected during an administrative appeal rather than just saying they are "aggrieved." In order to be eligible to file the administrative appeal they have to have submitted written comment or presented oral public testimony at a public hearing. This section also clarifies that the applicant can appeal.

CHAIR GIESSEL asked the definition of "substantially and adversely affected."

MR. MENEFEE said he would let Ashley Brown answer that, but "substantially" doesn't have a great definition, because it is used on a case by case basis. "Adversely affected" is defined in section 33.

5:44:51 PM
SENATOR FRENCH added that earlier he was asking about "significant and irreparable," and the words here are "substantially and adversely affected."

5:45:04 PM
ASHLEY BROWN, Assistant Attorney General, Department of Law (DOL), explained that "substantially and adversely affected" is defined in section 33 in the context of general appeals to DNR. It is not defined in section 4. Otherwise it is something that would be determined by the department on almost a case by case basis.

5:46:06 PM
SENATOR BISHOP asked if the department is trying to make some bright lines on what might be substantially and adversely

affected or some benchmarks, or is this just a judgment call on the director's part.

MS. BROWN replied that "adversely affected" is defined elsewhere in the statute, and to that extent there is a clear bright line. Otherwise, it would be developed probably the same way "aggrieved" is currently interpreted. Under this bill that would be whoever is "substantially and adversely affected." Regulations could potentially further clarify this.

SENATOR FRENCH asked if it wouldn't be more likely that a court would eventually clarify this.

MS. BROWN answered yes.

SENATOR FRENCH asked if this is meant to overturn or modify Gilbert v. State where the court said someone who is aggrieved has an interest that is adversely affected by the conduct complained of.

MS. BROWN replied that she couldn't answer that.

5:48:19 PM
SENATOR FRENCH said the question is going to come up over and over again and they need to know the intent in drafting the bill.

MR. MENEFEE explained that this measure is trying to increase the quality of the appellants' appeals to actually give linkage to how the decision is adversely affecting them. Currently, regardless of what lawyers say when a person says he is "aggrieved" that means they are upset; therefore I should be able to appeal. And that's all they sometimes write in.

He said over the last five years they have averaged 43 appeals a year, a lot of appeals to work through when you have to go through basically the same process you did for the original decision. The appeals officers that help the commissioner in crafting these estimated that 15-25 percent of them are people putting in appeals that say "I don't like this" without showing how they are adversely affected by it. The department is trying to raise the threshold, so someone actually has to say how they are affected, so it can provide some linkage between the action and what they are talking about.

SENATOR FRENCH said at least a dozen sections of this bill touch on this idea and maybe it should have gone to the Judiciary

Committee first, but he wanted to know how many of the 43 appeals would have been knocked out of court by this standard.

MR. MENEFEE said he couldn't answer that, because he doesn't make judicial decisions.

SENATOR MICCICHE said a person eligible to file an appeal for reconsideration would have had to participate in the public comment period by submitting written comment or presenting oral testimony, and folks that find out afterward that they are affected by a final written finding are eliminated. So, essentially this raises the bar so that anyone that could potentially be affected had better enter the discussion early in the process as opposed to finding out that they could own adjacent property or be an organization affected by the outcome. Is that correct?

5:52:56 PM
MR. MENEFEE answered that the existing statutes had some provisions about having to participate in the process for disposal of interest decisions; it didn't address the other decisions that didn't fall under that category. Does it change the threshold on all things? No; but it raises the threshold for things that did not fall under that provision and provides 30 days' notice that here's your chance.

He explained that the whole way the department crafts its public notice is just to try to encourage public participation. Currently, if they look at disposal of interest decisions they have had, if they didn't participate, then they wouldn't be eligible to appeal. This just continues that into anywhere they have given the same type of notice. So, if someone comes in after the fact and says they hadn't heard about this, they wouldn't have the ability to appeal at that point.

5:54:12 PM
MR. MENEFEE continued the analysis explaining that section 5 clarifies if the commissioner doesn't act on a reconsideration, which is like an appeal but it's a decision the commissioner made originally, and if he doesn't act on it 30 days after the issuance of a written finding, it's considered denied.

SENATOR FRENCH asked if this was a change in that as it stands now the commissioner actually has to act. Or is it just restating that?

MR. MENEFEE responded the part that section 5 on page 7 removes the language, "the commissioner shall grant or deny an administrative appeal within 30 days after issuance of a written finding". Before "the failure of the commissioner to act on a request for consideration within this period" was a denial and it was already stated. This is just trying to clarify from what period; that is, no later than 30 days after issuance of the final written decision.

5:55:59 PM
Section 6 is also clean up language. It deals with when people can go to court.

Sections 7-9 clarify payments over time versus payment all up front. Sections 8 and 9 remove references to AS 38.05.065(b). It also clarifies that the contract, sale or properties sold under this chapter means all land sales versus only ones that are at public auction or by sealed bid.

Section 10 allows a one-time extension (for two years) for leases in only three instances: the preference right, for renewal of a lease under (e) of this section and for applications to issue the lease on the same site but there are substantial changes. The extra time is for the decision or adjudication to be done on whether or not to issue the lease.

5:58:36 PM
Section 11 is about highest bidders and replaces "aggrieved" with "substantially and adversely affected," again.

SENATOR FRENCH said this section seems like a good example of a specific area of where you can at least narrow down who is at risk and whose rights are being changed, the bidders. He had greater concerns when it is applied to the public at large; and Mr. Menefee stated that this bill changes often where "aggrieved" is used to the "substantially and adversely affected" standard and asked if that was throughout all the statutes or just specifically within the DNR permitting provisions.

MR. MENEFEE replied that the only provisions they are dealing with are the ones with DNR: they only addressed Titles 46, 44, and 38.

6:00:02 PM
Section 12 clarifies prequalification of bidders.

Section 13 rewords language to "substantially and adversely affected."

Section 14 deals with leases for fisheries and changes language to "substantially and adversely affected."

SENATOR MICCICHE asked the purpose of changing the appeal period from 30 days to 20 days.

MR. MENEFEE answered to make it consistent with general appeals language in AS 44.37.811.

6:02:09 PM
Sections 15 and 16 both relate to aquatic farm leases. There were statements about renewal in section 15 that were moved to section 16. It allows a renewal period of up to 10 years for one time.

Section 17 deals with leasehold locations in addition to mineral closing orders.

Section 18 adds things to clarify preliminary written decisions.

Section 19 clarifies some preliminary decision work and deals with mineral and leasehold location orders.

Section 20 clarifies decision terminology for different state lands. The definition is very broad, but it includes various things. One is shorelands and tidelands; before it said shore land and tide land.

Section 21 expands on line public auctions to land sales.

Sections 22-27 is all about exchanges and includes conveyance of mineral rights, existing rights, what type of values have to be exchanged and the need to come through the legislature for properties over $5 million. Section 27 also changes language to shoreland and tideland.

6:06:44 PM
Section 28 revises the statute for unorganized borough platting actions by exempting owners that are subdividing with no public easement or right-of-way affected from the 30-day notice on that action, because historicallythe public does not seem to care.

Sections 29-33 insert the "substantially and adversely affected" standard for administrative appeals. Section 29 clarifies when

the requirements of AS 44.37.011 are applicable. Section 32 clarifies that a person has 20 calendar days after the issuance date of a final department decision in which to file an appeal or request for reconsideration. Subsection 33 adds new subsections to define what it means to be adversely affected and outlines additional requirements in the DNR administrative appeal process.

6:08:56 PM
SENATOR FRENCH said if a person objects to a decision the commissioner made, and the commissioner decided he was not "substantially and adversely affected," an unmotivated person would go home and be unhappy, but a motivated person would take their unhappiness to the court house and say I am significantly and adversely affected. Isn't that a natural outcome under this policy?

MR. MENEFEE agreed, and explained that a decision made by the commissioner that ends up as a reconsideration, but if it's made by anybody below the commissioner, it's an appeal. Either one requires the commissioner to take another look at the decision. If they are substantially and adversely affected, the commissioner has several options - remanding, disagreeing with the appeal or upholding the appeal - but if anybody comes out of that and doesn't like the decision, they can take recourse by going to judicial appeal in Superior Court.

SENATOR FRENCH asked what record the commissioner will be operating on to judge whether or not this person has the requisite interest to merit his attention on the matter.

MR. MENEFEE answered that when the department receives an appeal, one of the first things they do is gather the entire administrative record, which has all the documentation on how the decision was made, how public comment was treated, the whole thing from start to finish - and that is gone through with a fine toothed comb - to see if they have fulfilled the statutes and regulations. If the commissioner feels the decision was correctly made, then he upholds it; it incorrectly, he has those other options.

SENATOR FRENCH used the Chuitna Mine for an example, and said he filed a comment during the permitting process that said he didn't like the Chuitna Mine. That is what is on record and the commissioner decides to permit the mine. He is unhappy and says he is substantially and adversely affected and wants an appeal. How would the commissioner decide based on the record, which is

his comment that he didn't like the Chuitna Mine, that he has enough of an interest to qualify for his attention?

MR. MENEFEE said someone may have commented fairly loosely about their concerns about the project, but they participated in the public process and that meets the first threshold. Second, he would have to include a statement that explains how he was substantially and adversely affected by the decision. It must specifically describe the substantial and adverse affect on the person as a direct result of the decision and explain how the decision caused it (page 19, lines 5-8). It's incumbent upon the appellant to give the reasons and then the decision is made based on that.

6:14:45 PM
He went to section 34 and said it moves the threshold from the original statute that says water may not be removed from one hydrologic unit to another without being returned or having a permit to a "significant amount of water" that is already defined in regulation.

Sections 35-37 clarify language; it doesn't change the intent or the original statute.

Sections 38 and 39 continue the issue of substantially and adversely affected and section 39 has a further definition, but it is specific to water (AS 46.15). Previous definitions were the broad appeals.

6:16:20 PM
SENATOR MICCICHE asked why "significantly and" was not included in sections 33(f) and 39(e).

MR. MENEFEE explained that the statement before was "aggrieved" and that term does clarify that the person must be directly affected by the decision by a physical or financial detriment. It may have been an omission. He asked Ms. Brown to comment if she could.

6:17:22 PM
MS. BROWN said she didn't have a further comment.

MR. MENEFEE said the biggest change to sections 40 and 41 was removing "or a person" for water reservations, but it won't affect people who are applying for water rights. The other aspect (section 40) is to try to bring the issue through an agency that has the responsibility to manage the resource the

water reservation is supposed to be affecting. In section 41 it currently says "the commissioner shall review each reservation every 10 years" and that can be quite onerous if you have to go through all the stats and information and do more studies on it every 10 years. They are now saying "may".

SENATOR MICCICHE asked theoretically if an NGO completed their own reservation study and was able to get a municipality or an agency to support their findings, then they could come back to reserve sufficient water if they felt it wasn't adequate.

MR. MENEFEE replied that, yes, they can work with that agency or municipality, but the municipality or the agency would have to submit the application; it wouldn't be the NGO.

6:20:18 PM
SENATOR FRENCH said section 40 had been in place since at least 1986, and maybe as early as 1980, and asked what prompted this change now.

MR. MENEFEE answered because a mining interest came in that wanted to reserve enough water for mixing zones. It appears that the department has been able to deal with all of the mining issues through temporary water use authorizations and water rights working through the Department of Environmental Conservation (DEC). They had never had a filing from a mining company on a water reservation.

SENATOR FRENCH asked if this will affect pending applications and if so, how many. Is it a simple process and does it cost much?

MR. MENEFEE answered that water reservations is a complex process; there is a minimum of three years of water data collection and evidence to show how the level of water affects whatever you are trying to address; it could include fish sampling and flows throughout the years and has a $1,500 application fee. About 35 out of the 148 applications they have for water reservations would be affected by this. Most of them are groups and there is one individual. Those applications could be picked up by the Alaska Department of Fish and Game (ADF&G) for habitat, by the Coast Guard if it's for navigability or by the Division of Parks and Recreation if it was for a recreation purpose, but that isn't mandated. The effect of the statute is that it precludes them from issuing a reservation to those people.

SENATOR FRENCH remarked just suppose he has collected three years of data, paid his $1,500 and waited very patiently for this and he was just tossed out.

SENATOR FAIRCLOUGH asked how many other states allow a person to make this type of request to an agency.

MR. MENEFEE replied none.

6:24:42 PM
He continued that section 42 clarifies that the commissioner may issue one or more new temporary use water authorizations for the same project. For instance, a 15-year project would require three different water use authorizations and each reauthorization would require the same procedure of figuring out if it affects anything, has other conflicts or habitat concerns. Staff is aware of issuing a temporary water use authorization at least five times for the same water body on the North Slope; they have issued four times in a row on the same water body for the Department of Transportation and Public Facilities (DOTPF).

He said DOTPF is expecting 50 applications and there are five water sources on each application, but every five years, you have to look from scratch if it's the right thing to do.

SENATOR FRENCH asked if public notice is required before issuing a temporary water use authorization.

6:26:39 PM
MR. MENEFEE answered no; they do an agency review.

SENATOR FRENCH asked at what point a different designation is needed for what is called a temporary water use authorization, but is issued five different times for five years.

MR. MENEFEE answered that they have reviewed this extensively with staff and the Department of Law (DOL) and there is no time that you actually have to change the designation. If someone does come in and applies for a water right for the same use, if that use is perfected, that water right is given and it's not taken back, but they also don't continually make further decisions on the habitat. It's just one time. Changes could occur during 15 years and adjustments might have to be made to the amount of water they take because maybe there is less water available, because of changing conditions between the years. You can't do that with a water right.

CHAIR GIESSEL noted that he had already talked about section 43.

6:28:00 PM
MR. MENEFEE continued on to section 44, which is transition language saying the DNR shall return any applications and fees pending upon the water reservation. So, they will get their money back. It says the commissioner may refer the application no longer authorized to an independent evaluation consideration by that agency.

Section 45 allows the department to adopt regulations and has an immediate effective date in section 47. Section 46 instructs the Revisor to change the title and section 48 establishes the bill's effective date.

SENATOR MICCICHE asked how many water reservation applications might be pending now.

MR. MENEFEE answered 148; the majority of those were filed in the last few years, more in the last 10 years. But that can be expected as the state grows and more things are going on.

SENATOR MICCICHE asked what portion of those applications is submitted by a person as opposed to an agency or municipality.

MR. MENEFEE said he just got a correction and there are 438 applications and 37 of those are by individuals.

SENATOR MICCICHE asked if persons that hold water reservations now lose it or do they get to maintain it if they successfully received it in the past.

6:31:28 PM
MR. MENEFEE replied that they had never issued one to a person (they have only been issued to agencies), but nobody will ever lose one that has been perfected.

CHAIR GIESSEL, finding no further questions, thanked Mr. Menefee for the review and said she would hold SB 26 and take public comment at a later date.

6:32:08 PM
Finding no further business to come before the committee, Chair Giessel adjourned the Senate Resources Committee meeting at 6:32 p.m.