

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

January 24, 2014

3:32 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Peter Micciche

MEMBERS ABSENT

Senator Lesil McGuire
Senator Anna Fairclough
Senator Click Bishop
Senator Hollis French
Senator Fred Dyson, Vice Chair

COMMITTEE CALENDAR

OVERVIEW: DEPARTMENT OF NATURAL RESOURCES

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JOSEPH BALASH, Commissioner
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Presented an overview of the Department of Natural Resources.

FRANI HAVEMEISTER, Director
Division of Agriculture
Department of Natural Resources (DNR)

POSITION STATEMENT: Participated in the overview of the Department of Natural Resources.

CHRIS MAISCH, Director
Division of Forestry (DOF)
Department of Natural Resources (DNR)

POSITION STATEMENT: Participated in the overview of the Department of Natural Resources.

STEVE MASTERMAN, Acting Director
Division of Geological & Geophysical Surveys (DGGS)
Department of Natural Resources (DNR)
POSITION STATEMENT: Participated in the overview of the
Department of Natural Resources.

MARCIE MENEFEE, Executive Director
Mental Health Trust Land Office (MHTLO)
Department of Natural Resources (DNR)
POSITION STATEMENT: Participated in the overview of the
Department of Natural Resources.

BRENT GOODRUM, Director
Division of Mining, Land & Water
Department of Natural Resources (DNR)
POSITION STATEMENT: Participated in the overview of the
Department of Natural Resources.

BILL BARRON, Director
Division of Oil & Gas (DOG)
Department of Natural Resources (DNR)
POSITION STATEMENT: Participated in the overview of the
Department of Natural Resources.

BEN ELLIS, Director
Division of Parks & Outdoor Recreation
Department of Natural Resources (DNR)
POSITION STATEMENT: Participated in the overview of the
Department of Natural Resources.

TOM CRAFTORD, Director
Office of Project Management & Permitting (OPMP)
Department of Natural Resources (DNR)
POSITION STATEMENT: Participated in the overview of the
Department of Natural Resources.

ALLISON IVERSEN, Acting State Pipeline Coordinator
State Pipeline Coordinator's Office (SPCO)
Department of Natural Resources (DNR)
POSITION STATEMENT: Participated in the overview of the
Department of Natural Resources.

JEANMARIE DAVIS, Director
Support Services Division
Department of Natural Resources (DNR)

POSITION STATEMENT: Participated in the overview of the Department of Natural Resources.

ACTION NARRATIVE

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CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 3:32 p.m. Present at the call to order were Senators Micciche and Chair Giessel. Senators Dyson, Fairclough, Bishop, McGuire, and French were excused. She referenced Ch. 54 Sec. 613.1 of *Mason's Manual of Legislative Procedure* to clarify that the quorum requirements for a committee do not extend to testimony taken in hearings of a public nature.

Overview: Department of Natural Resources

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CHAIR GIESSEL announced the business before the committee would be an overview of the Department of Natural Resources.

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JOSEPH BALASH, Commissioner, Department of Natural Resources, stated that the presentation would be an overview of what the department accomplished during 2013. He explained that DNR is the primary land manager of 100 plus million acres of uplands and 45-60 million acres of tidelands that it received under the Statehood Act. A variety of divisions within DNR carry out different functions to manage different lands according to their resource potential.

COMMISSIONER BALASH reviewed the department organizational chart and explained that he asked each division director to speak to their own accomplishments in 2013. He reported that a lot of his time was spent working on the "Heads of Agreement" that would be discussed starting next week.

COMMISSIONER BALASH relayed that Acting Director of the Gas Pipeline Project Office (GPPO), Eric Hatleberg, was unable to attend the meeting because he was returning from Texas after completing one of the monthly monitoring meetings for the AGIA licensee. These meetings are to ensure that Alaska is receiving the benefits of the obligations undertaken by TransCanada Alaska under the terms of their AGIA license.

Some of the key accomplishments of this office include hosting the Alaska LNG-17 outreach effort describing the advantages of

Alaska gas commercialization opportunities. Mr. Hatleberg and his team were also able to contribute technical expertise through oversight and review of the Black and Veatch Royalty Study. In addition, the team met with numerous LNG buyers throughout the year to maintain communication and readiness for future commercial partnerships. The Gas Pipeline Project Office also signed a formal, but nonbinding, nonexclusive, Memorandum of Understanding (MOU) with Resources Energy, Inc. (REI), which represents a consortium of commercial interests in Japan that are interested in purchasing LNG. The original MOU with REI targeted North Slope gas in 2019, but they have since refocused their effort for a smaller volume with a supply center in Cook Inlet.

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FRANI HAVEMEISTER, Director, Division of Agriculture, Department of Natural Resources (DNR), stated that the division fulfills its mission to promote and encourage the agriculture industry through a variety of components. She explained that during the summers of 2012 and 2013, the Inspection Section conducted pest surveys on diseases and pests of concern to agriculture, natural resources and international trade. The presence or absence of a pest determines treatment that may or may not be necessary to exporting a product such as timber. Inspections were conducted at the U.S. Canada border in cooperation with Customs Border Patrol in an effort to evaluate pest pathways and movement of products of concern. In FY13, the Inspection Section performed timber and agricultural export certification on over \$143 million of timber bound for Korea, China, and Japanese markets.

The Land Section staff continues to identify state land with suitable agriculture soils. The agriculture land designations increased by 35,000 acres in the Yukon Tanana Area Plan, and discussions have continued with farmers and stakeholders regarding the Agricultural Land Program.

The Plant Materials Center is a 407 acre farm that produces seed for grain and native grass growers and certified seed potatoes. Variety trials were conducted for onions, asparagus, apple rootstock and potatoes. The Center is currently working with ADF&F and DEC on efforts to control the spread of Elodea.

The Marketing Section increased Alaska Grown Farm membership by 13 percent and has a robust Facebook presence. The Restaurant Reward Program had 21 participating restaurants in 2013, which increased the use of Alaska grown by 44 percent over the previous year. The number of markets able to accept Supplemental

Nutrition Assistance Program (SNAP) doubled in 2013, bringing an additional \$30,000 to Alaska markets throughout the state.

The Farm to School program was selected to receive the Alaska Community Service Award for health for making a significant contribution to improving the health of Alaskans. The program has provided on-farm food safety workshops to 50 producers, and three quarters indicated they would change their farming practices as a result of what they learned at the workshop. School Food Service directors indicated that, as a result of the Farm to School Program, local foods were served more often in schools throughout the state. Forty-seven of Alaska's 54 school districts are actively engaged in this program and the state is recognized as a national leader in the use of this model.

The Alaska Food Resources Working Group was formed through Administrative Order 265 and HCR 1. The objective of this order is to improve the health of state residents, increase food security, strengthen local economies, and encourage community development. This group will provide recommendations for policy changes that will increase the use of locally grown food, which will provide additional markets for Alaska producers.

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CHRIS MAISCH, Director, Division of Forestry (DOF), Department of Natural Resources (DNR), reviewed the core mission of the division, which is to serve Alaskans through forest management and wild land fire protection. He directed attention to a picture of Alaska wood pellets that are produced in North Pole for both residential and commercial heating purposes. The wood comes from the Tanana Valley State Forest.

As a result of the Governor's Alaska Timber Job Task Force recommendations, DOF established a "Roads Office" and hired two logging engineers to help with infrastructure development and access projects on state forest lands; is promoting the proposed Susitna State Forest; and is using a \$2 million CIP to develop infrastructure to access state forest parcels on Gravina Island and Edna Bay in Southeast.

In Tok, DOF offered a 25-year, long-term timber sale to help support a heat and power project for Alaska Power and Telephone. The sale is for 35,000 tons of green biomass annually, and it is currently available as an over-the-counter sale. Additionally, DOF sold 16,422,000 board feet of lumber to 37 businesses throughout the state; provided direct and indirect support to 105 woody biomass projects; and continues to work with the U.S.

Forest Service to implement the 2008 Tongass Land Management Plan (TLMP) to supports the remaining timber industry in Southeast.

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MR. MAISCH reviewed the key accomplishments of the Wild Land Fire Program:

- Safely and successfully responded to the fourth largest fire season in the past 10 years and second largest in the past 5 years. Six hundred thirteen fires burned 1.3 million acres.
- Continued build out of the Integrated Fire Management software tool to improve initial attack and overall fire management.
- In the area of aviation, DOF procured one Aero Turbo Commander and will purchase a second aircraft this month. These will provide a safer air attack platform and better training opportunities.
- At the Wildland Fire Crewboss Academy, 20 students from 17 rural communities received advanced training. He noted that the two crew bosses pictured are each in charge of a 19 person emergency firefighter type II crew.
- DOF partnered with UAF Wildland Fire Program to deliver the Advanced Firefighter training for the 2014 Academy. Students will receive university credit. The division offered 14 internships for past graduates of the basic and advanced wildland fire academies.
- The division competed successfully for over \$1 million in competitive funds for hazard fuel mitigation projects. Four projects were awarded in Mat-Su, Fairbanks, Kenai, and Tok to help reduce high-risk fuels around communities.
- Finally, the division developed a project and concept paper for the Northern wildland fire center in Interior. This was done in collaboration with the Cold Climate Research Center to replace outdated, high-maintenance facilities.

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STEVE MASTERMAN, Acting Director, Division of Geological & Geophysical Surveys (DGGS), Department of Natural Resources (DNR), stated that the DGGS mission is to determine the potential of Alaska land for production of metals, minerals, fuels, and geothermal resources, the locations and supplies of groundwater and construction material, and the potential geologic hazards to buildings, roads, bridges, and other installations. He briefly reviewed the accomplishments of the six sections within DGGS.

The Mineral Section was heavily involved in the strategic and critical Minerals Project in 2013. They mapped, sampled and assessed about 2,600 square miles between Paxson and Talkeetna looking at the potential for platinum group elements. As part of this project, the group analyzed over 10,000 samples. The Airborne Geophysical program acquired or published 4,578 square miles of airborne geophysical data in four surveys statewide. DGGs also assessed and mapped 212 square miles in the Styz River region, which has several advanced-stage exploration copper and gold occurrences.

The Energy Section mapped 250 square miles in the west Cook Inlet basin focused on the Mesozoic petroleum system. In the process they discovered two new oil-stained sandstones. On the North Slope, the Energy Section collaborated with the University of Alaska, Fairbanks (UAF) and the U.S. Geological Survey (USGS) on the shale oil potential. Finally, the Energy Section completed a compilation of geothermal data for Alaska, and it is ready to be published both digitally and in hard copy.

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SENATOR MICCICHE asked him to define the purpose of airborne geophysical data and how it is cataloged.

MR. MASTERMAN explained that various types of airborne information are collected, but magnetic data is typically collected to look at the magnetite content and to map the various rock formations some of which may be subsurface. Information is also collected about the electrical conductivity of the rocks in order to map the geology. One aspect of airborne geophysics is that mineral deposits commonly have characteristic signatures in both magnetic and resistivity information. The geology and airborne geophysical data can be used directly as a prospecting tool. He noted that there is generally a notable spike in industry activity when DGGs releases the airborne geophysical data.

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He explained that the Geological Materials Center is the state's repository for its collection of geological samples from oil and gas wells and mineral properties. The Center is being relocated to an improved facility in downtown Anchorage that will allow industry to review and study the samples that are housed there. The grand opening is planned for September 2014.

The Engineering Geology Section initiated a hydrogeology program to look at groundwater availability and use, particularly with regard to resource development. The initial focus will be oil and gas occurrences on the North Slope and how the groundwater interacts. They also completed engineering and geology mapping for DOTPF at the Yukon River Bridge; field investigations along the various pipeline corridors from Livengood to Prudhoe Bay; and work on the Susitna-Watana Dam. Another relevant activity is the tsunami inundation mapping, which is of particular interest to Southcentral and the coastal communities. These reports are also available online. Finally, the Engineering Geology Section worked on coastal hazard assessments, primarily for storm surges and erosion issues in coastal communities in Southwest Alaska.

The Volcanology Section is part of the Alaska Volcano Observatory, which is a collaboration between USGS, UAF, and DGGS. This group monitors the volcanic activity in the state and reports it to interested parties.

The Geological Communication Section launched four datasets in a new interactive online map series. They published 52 new geologic maps and reports, distributed 2,579 publications, and recorded over 6 million web page views. DGGS also has Facebook and Twitter accounts and a presence on Linked In.

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MARCIE MENEFEE, Executive Director, Mental Health Trust Land Office (MHTLO), Department of Natural Resources (DNR), reviewed the mission of the MHTLO, which is to protect and enhance the value of Alaska's mental health trust lands, including minerals, coal, oil and gas, timber, and real estate, while maximizing revenues from those lands over time to support mental health services. She explained that the Trust Land Office has 16 professional staff who have different expertise for the different assets. The office has been active for the last 19 years and has generated over \$150 million in revenue. The Board of Trustees provides input and is interested in the Trust Land Office increasing the annual revenue goals. As a result, the Trust Land Office has spent time over the past two years planning how to better maximize the current programs within the Trust Land Office to look at a five year and ten year increase in revenue for the beneficiaries of the Trust. She reviewed some of the key accomplishments in 2013.

The Trust Land Office conducted two small timber sales generating about \$1 million in revenue in Southeast. Significant progress was also made in a federal exchange of Trust land for

Tongass National Forest land to preserve the Trust's timber portfolio. The other initiative is to collaborate with the University of Alaska and State Forestry on ways to get the timber resources owned by state agencies in Southeast to market.

One of the hallmarks of revenue for the Trust has been the land sale programs, whether competitive or negotiated. Less than two percent of the million acres that the state received for the Mental Health Grant have been sold, and those lands generated about \$4 million in revenue. The land section within the Trust Land Office is subdividing larger parcels and building roads into the subdivisions for additional revenue.

Coal and hard rock mining exploration and development contributed over \$5 million in revenue, primarily from Fort Knox, Chuitna, Chickaloon and Livengood. Marketing the Trust mineral lands has become more important in the last several years, and 350,000 acres are currently leased for either exploration or production of minerals. The goal is to increase that to 450,000 acres, which would be about half the Trust acreage.

Oil & Gas is a newer effort that is producing some revenue for the Trust. The small gas sale in Cook Inlet along with some other producing assets netted over \$3 million in revenue last year.

The real estate program is in its second year and it brought in just over \$0.8 million. Acquisitions include a warehouse and several commercial buildings in Anchorage. The expectation is that the program will continue to generate revenue.

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SENATOR MICCICHE asked if Trust timber is a growth industry that could possibly get Alaska back in the timber industry in years to come.

MS. MENEFFEE said it's a possibility and the Trust Land Office would like to be part of that goal. If the exchange with the USFS is successful, it will hopefully result in a sustainable annual cut, but that assumes that the industry is still alive.

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BRENT GOODRUM, Director, Division of Mining, Land & Water, Department of Natural Resources (DNR), stated that for the last two years the division has been working in earnest to eliminate the permitting backlog. In 2013 they reduced the backlog by 53.5

percent while issuing 794 authorizations for permit and 724 authorizations for applications for permits to mine in Alaska. A critical component of modernizing the permitting project is through the Unified Permit project. Last year the division introduced an electronic case file for permits and this year it will do the same for water rights.

Statewide projects the division has worked on include the Port McKenzie Rail Extension, Roads to Resources projects, North Slope Oil and Gas exploration and development projects, AIDEA's LNG Trucking decision, and the City and Borough of Juneau cruise ship dock decision.

Last year the division was successful in amending the 2005 Bristol Bay Area Plan with significant public participation and input. The amended plan increased the wildlife habitat classifications by over 2.6 million acres and increased classifications of 1.3 million acres of public recreation areas within those plans. The division also worked closely with the BLM to come to a cooperative agreement to help resolve long standing Native Allotment applications. A voluntary program allows those applicants to consider selecting substitute parcels on state-selected lands. Finally, the division undertook stewardship efforts in cooperation with DEC to remove submerged vessels in the Homer area that put mariculture farms at risk.

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BILL BARRON, Director, Division of Oil & Gas (DOG), Department of Natural Resources (DNR), stated that he would highlight just a few interesting accomplishments and projects that have been started. The first is the more efficient processing of lease sales. The Leasing Section issued 90 leases on the North Slope in the last lease sale and was able to process all of those within seven weeks of the sale; whereas the historical timeframe has been upwards of 10-12 months.

Along the same lines, DOG has used the authority the legislature granted last year to extend leases that are in their primary term but about to expire. Six applications were submitted after that legislation passed and the division has issued five 2-year lease extensions that incorporate bonding and firm work commitments.

MR. BARRON highlighted the recent effort that the Resource Evaluation Section has made in combination with the Department of Energy and the USGS relative to methane hydrates on the North Slope. The team analyzed seismic and well data and identified

significant prospects for methane hydrates on state acreage. That block was pulled from the lease sale and dedicated for research and development in association with DOE under an MOU that former commissioner Sullivan signed at LNG-17. This is the largest area for methane hydrate research in the country so it's a tremendous opportunity.

Accomplishments in the Commercial Section include participation in the DNR study to understand LNG markets and the efforts to develop a method to mitigate the State's exposure to risk of a lessee's failure to dismantle, remove, and restore an offshore platform in Cook Inlet. He said the latter is a highly academic and well-written white paper that he would encourage members to read.

The Petroleum Systems Integrity Office (PSIO) recently provided Alyeska Pipeline Services with very clear technical guidance when they had a problem with corrosion coupons that failed and ended up in the line. Finally, the key accomplishment of the Royalty Section is that it managed \$2.5 trillion in royalties.

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SENATOR MICCICHE asked Mr. Barron for help locating the white paper that the Commercial Section published.

MR. BARRON agreed.

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BEN ELLIS, Director, Division of Parks & Outdoor Recreation, Department of Natural Resources (DNR), stated that he recently sent a letter to each legislator highlighting what is happening in the park units that they represent. He noted that statewide views were also available. He said he looks forward to returning to Juneau in February to meet with each legislator or staff to hear about constituent perceptions and thoughts on state parks because that input helps guide the division on management and other issues facing state parks. The division has a Facebook page for Alaska State Parks and encourages new members.

The Division of Parks & Outdoor Recreation focuses on six areas, the largest of which is Park & Outdoor Recreation Management. The division oversees 3.5 million acres which makes it the largest state park system in the nation. Wood-Tikchik State Park is the largest park with 1.6 million acres and Chugach is third with 0.5 million acres. State Parks has 82 permanent employees, 23 non-permanent employees and 800 volunteers. He described the infrastructure that includes 124 park units and 72 campgrounds.

MR. ELLIS explained that the Alaska Trails Office (ATO) oversees the federal grant funded Recreational Trails Program. About half of the annual \$1.6 million is dedicated to communities and local trail programs on a competitive basis. The other half of the grant funds support the over 900 miles of developed Alaska State Park trails. ATO also oversees the Snow Track Program that receives up to \$250,000 each year from snow machine registration fees. The funds are primarily used to groom trails and then to conduct safety and educational programs. He said the demand far outstrips the available funding, but the program does a good job of putting money on the ground in the areas that are heavily used by snow machine users. The First Day Hike is another program that ATO has been involved in for several years. All 50 state parks participate and have the common goal of getting people outdoors. He noted that the program at Hatcher Pass has been very successful and has grown every year.

The Office of History & Archaeology oversees a \$2.5 million budget that is primarily federal funds. The staff reviews about 2,600 projects a year with the goal of protecting the historical, archaeological, and cultural aspects of the state's resources. They work with both the Corps of Engineers and communities.

The Design & Construction Section is an enterprise staff of engineers, landscape architects, and interpreters. Only 2 of the 15 positions are paid with general funds, and the rest are paid from project funds for deferred maintenance or capital improvements. The division also generates revenue by contracting with state and federal agencies to do design and construction work.

The Office of Boating Safety has held nearly 3,000 classes in school rooms since it began and has reached over 100,000 students. One of its very successful programs is the federally funded "Kids Don't Float" program. Working in conjunction with communities, this program has provided nearly 50,000 lifejackets and has documentation that 24 Alaskan children survived cold water immersion because they were wearing a lifejacket courtesy of this program.

MR. ELLIS highlighted that the South Denali Visitor Center Complex is the first developed campground in Alaska State Parks in 30 years. In 2009, the legislature started to provide funding for this \$47 million project. To date, about \$20 million in state funds, \$1 million in corporate donations, and \$1 million

in federal grants have accumulated and been put to work. This last summer State Parks broke ground for the visitor center and put in 23 miles of gravel road to the campground site that's been cleared and brushed. The goal next year is to put in 35 RV campsites and 15 walk-in campsites. He pointed out that this project has improved economic development along 23 miles of the Parks Highway. He encouraged members to visit the complex once it opens.

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TOM CRAFFORD, Director, Office of Project Management & Permitting (OPMP), Department of Natural Resources (DNR), explained that OPMP's role is to coordinate the permitting process for large development projects in the state. The office has no regulatory authority but it works to coordinate the participation of the different state regulatory agencies and tries to improve permitting efficiencies. OPMP is also involved with coordination of state agency review and comment on a variety of federal policy initiatives and programs.

He explained that much of OPMP's funding is from statutorily designated program receipts. Private sector projects are funded through MOUs that OPMP enters into with project applicants. If the applicant is a state agency, funding is through a reimbursable services agreement.

MR. CRAFFORD reviewed the key accomplishments from 2013, starting with the MOU agreements that OPMP signed for oil and gas and mining.

Oil and Gas:

- Buccaneer for projects in Cook Inlet.
- Buccaneer Cosmo for the offshore gas field near Deep Creek.
- LINC for their Umiat property in the southeast corner of NPR-A.
- NORDAQ experimental stage project in the NPR-A.
- ConocoPhillips development permitting for their Greater Moose's Tooth property in the NPR-A.

Mining:

- Graphite One for the Graphite Creek Project on the Seward Peninsula northeast of Teller.
- Free Gold's Golden Summit Project near Cleary Summit and the Fort Knox Mine.

OPMP also coordinated:

- A complex, multi-year special use permit for Apache's seismic exploration in the Kenai National Wildlife Refuge.
- State agency participation and review of the U.S. Fish & Wildlife Services' Izembek Land Exchange Environmental Impact Statement for road construction to connect the community of King Cove to the all-weather airport in Cold Bay, although this was ultimately denied.
- State agency review of the final draft of the Environmental Protection Agency's Bristol Bay Assessment regarding mining and potential impacts on fish in the Bristol Bay watershed. EPA issued the Final version on January 14, 2014.
- Red Dog mine's first third-party environmental audit since it started in 1989, which will feed into new permit conditions. State waste management permits for tailings, waste rock, and reclamation plan approval now require these audits every five years.
- State agency approval of the underground expansion of the Pogo mine to the East Deep deposit. OPMP also coordinated the final approvals for expanded dry stack tailings storage.
- State agency participation in the U.S. Forest Service led EIS for the expansion of the Greens Creek Mine dry stack tailings facility.
- Continued review of the application documents and initiation of the NEPA permitting process for the Donlin gold project near Crooked Creek on the Kuskokwim River.

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ALLISON IVERSEN, Acting State Pipeline Coordinator, State Pipeline Coordinator's Office (SPCO), Department of Natural Resources (DNR) stated that the mission of this office is to issue leases of state land for pipeline rights-of-ways and implement state policy in AS 38.35.010 concerning the development, use, and control of a pipeline transportation system within the state.

She described the following key accomplishments:

- SPCO worked closely with BP Transportation (Alaska) Inc. to transfer the Badami pipeline rights-of-way leases to Nutaaq Pipeline, LLC. This is a conglomerate of Savant Alaska and ASRC Exploration.
- SPCO released its 2013 Annual Report, which is more user friendly. It lays out the key functions of DNR and other state agencies that are co-located within SPCO. It also summarizes the lessee's annual reports and details SPCO's compliance efforts.

- SPCO worked with ConocoPhillips to facilitate the change-of-service for the Oliktok pipeline from natural gas liquids to natural gas. This should be finalized by mid-2014.
- SPCO has been working on an amended application from Trans-Foreland Pipeline Company. This initially was sponsored by Cook Inlet Energy and is currently sponsored by Tesoro. It is a 28 mile pipeline under Cook Inlet. A preliminary decision is anticipated very soon.
- SPCO has been working closely on several projects for a North Slope LNG facility with trucking to Fairbanks. The office completed the process and issued a rights-of-way lease for Spectrum LNG and completed the commissioner's analysis and proposed decision for the Polar LNG project. An additional application for the AIDEA project is anticipated.
- Last year SPCO adjudicated and finalized five amendments to the TAPS right-of-way lease to add minor amounts of land for critical upgrades, regular maintenance, and improvements to the system.
- SPCO continues to work with Alyeska on the implementation of their corrective action following the coupon failure. This incident was a good example of utilizing state and federal expertise and coordinating to speak with one voice.
- Last year SPCO continued to work closely with the Alaska Stand Alone Pipeline (ASAP) sponsored by AGDC, and the Alaska LNG Pipeline coordinating efforts for the permitting activities during the field season. A very large field season is anticipated for both projects this coming summer. The office is coordinating and issuing DNR permits and also coordinating efforts with DOT, ADF&G, and the DNR Office of History and Archaeology. Although there may not be many permits issued, they cover very large activities. For example, one permit for the ASAP covered more than 200 boreholes.
- Finally, SPCO spent considerable field time overseeing the initial construction of the Point Thomson Export Pipeline. Last winter about 2,200 vertical and horizontal support members were installed. In the next several months the construction of the pipeline will be finalized.

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JEANMARIE DAVIS, Director, Support Services Division, Department of Natural Resources (DNR) explained that SSD provides the administrative support necessary to keep all the foregoing activities going forward. The department itself has about 1,000

employees in 32 locations statewide, which sometimes makes coordination challenging. The Information Technology Section provides IT infrastructure required for managing state land records. The Financial Services Section pays the bills and records the revenue for the state. This amounted to about \$2.6 billion last year. The Budget Section helps develop and support the budget and helps with legislative presentations on the budget. The Procurement Section does everything from supporting small equipment purchases to complex contracts. SSD also provides limited human resources support. SSD also administers the state recording offices statewide.

She described the following key accomplishments:

- SSD implemented eRecording in 31 of the 34 recording districts. This allows customers to file their business documentation electronically. Last week the last three recording districts implemented eRecording making Alaska the fourth state to implement statewide eRecording.
- The IT Section supported, especially in the Division of Mining Land & Water, the efforts with the permitting initiative, working with automation, installing the business process, management servers and software, and providing programming support and contract management.
- Finance and procurement staff are spending significant time in collaboration with the Department of Administration on the Integrated Resource Information System (IRIS) project. This is a statewide administrative systems replacement for accounting, financial, procurement, payroll and human resource management.

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SENATOR MICCICHE asked if the Support Services Division will handle the upcoming hunting permit drawings.

MS DAVIS answered no.

CHAIR GIESSEL thanked Commissioner Balash for a good presentation.

COMMISSIONER BALASH committed himself and DNR's world-class managers to do what it takes to help the committee get its business done on time this year. He stated that it was a pleasure to work with the fine men and women in the department.

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CHAIR GIESSEL asked how he would manage the cut in DNR's budget that's in the Governor's proposed budget.

COMMISSIONER BALASH explained that the Gas Pipeline Project Office is a line item that was built into the DNR's base, and with the elimination of that office they're able to realize a net negative for the agency. The department was able to maintain funding for all the other divisions and in some cases address some much needed requirements for personnel costs and increments, especially in the Division of Parks.

CHAIR GIESSEL thanked the presenters.

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There being no further business to come before the committee, Chair Giessel adjourned the Senate Resources Standing Committee meeting at 4:54 p.m.