

**ALASKA STATE LEGISLATURE**  
**SENATE RESOURCES STANDING COMMITTEE**

February 2, 2015

3:30 p.m.

**MEMBERS PRESENT**

Senator Cathy Giessel, Chair  
Senator Mia Costello, Vice Chair  
Senator John Coghill  
Senator Peter Micciche  
Senator Bert Stedman  
Senator Bill Stoltze  
Senator Bill Wielechowski

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

OVERVIEW: DEPARTMENT OF ENVIRONMENTAL CONSERVATION

- HEARD

SENATE JOINT RESOLUTION NO. 10

Opposing the revised Comprehensive Conservation Plan and Environmental Impact Statement for the Arctic National Wildlife Refuge; opposing attempts by President Obama to alter management of the coastal plain of the Arctic National Wildlife Refuge; encouraging the United States Congress to reject a proposal based on the revised Comprehensive Conservation Plan or accompanying Environmental Impact Statement; encouraging the United States Congress to reject a proposal that does not open the coastal plain of the Arctic National Wildlife Refuge to oil and gas development; and finding that decision-making authority over the coastal plain of the Arctic National Wildlife Refuge is reserved exclusively to the United States Congress.

- SCHEDULED BUT NOT HEARD

SENATE JOINT RESOLUTION NO. 11

Urging the President of the United States and the United States Congress to acquire the area commonly known as Central Park on Manhattan in New York City on behalf of the federal government; urging the United States Congress to declare Central Park to be a wilderness area and to prohibit any further improvement or

development of Central Park unless authorized by an Act of Congress.

- SCHEDULED BUT NOT HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

LARRY HARTIG, Commissioner  
Department of Environmental Conservation (DEC)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided Department of Environmental Conservation (DEC) overview.

KRISTIN RYAN, Director  
Division of Spill Prevention and Response (SPAR)  
Department of Environmental Conservation (DEC)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided Division of Spill Prevention and Response (SPAR) overview.

ALICE EDWARDS, Director  
Division of Air Quality  
Department of Environmental Conservation (DEC)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided Division of Air Quality overview.

MICHELLE HALE, Director  
Division of Water  
Department of Environmental Conservation (DEC)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided Division of Water overview.

**ACTION NARRATIVE**

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**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 Costello, Stedman, Coghill, Wielechowski, Micciche and Chair Giessel.

**Overview: Department of Environmental Conservation**

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CHAIR GIESSEL announced the annual Department of Environmental Conservation (DEC) overview and welcomed Commissioner Larry Hartig. She said she was particularly interested in the Spill Response Fund.

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LARRY HARTIG, Commissioner, Department of Environmental Conservation (DEC), Anchorage, Alaska, said DEC's mission is to protect human health and the environment. The outcomes they are looking at are:

- Clean water, healthy air, and good management of hazardous materials and waste
- Safe drinking water and sanitary waste disposal
- Food safe to eat
- Low risk of spills of hazardous materials and efficient, effective response when spills occur
- Wise resource development for a growing state, so people can feel safe with DEC's permits and authorizations, contingency plans, oversight, inspections, and so forth.

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The five divisions are: Administration, Environmental Health, Air Quality, Spill Prevention and Response (SPAR), and Water. Air quality is one of the smaller divisions, but it is one of more complex ones.

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SENATOR STOLTZE joined the committee.

COMMISSIONER HARTIG said the department has a variety of funding sources. About 30 percent of their funding is federal money; SPAR is about 20 percent of it. There are two fee programs: one is subject to federal law that limits what the money can be used for (like air permit fees). DEC gets about 1 percent of its budget from the general fund (UGF). The only department that is smaller in terms of its draw on the general fund is the Department of Military & Veterans Affairs (DMVA), which is largely federally funded.

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The Division of Air Quality is run on permitting fees and that is required by federal law. The general fund draw is relatively small, which means that it is particularly critical for things like monitoring air quality in Fairbanks.

The Response Fund at over 50 percent is critical for SPAR's budget; if the Response Fund is not fixed (due to declining oil production) that division would see a 46 percent reduction.

SENATOR WIELECHOWSKI asked how much litigation for assuming state primacy is costing.

COMMISSIONER HARTIG answered that two bills have authorized DEC to explore taking primacy for the 404 program, whose funding (\$1.4 million and five positions) was stripped last year, and the 402 program, the waste water discharge permitting program from the Environmental Protection Agency (EPA), which was taken in phases and now belongs entirely to the state.

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KRISTIN RYAN, Director, Division of Spill Prevention and Response (SPAR), Department of Environmental Conservation (DEC), Anchorage, Alaska, said the division has three areas: prevention (contingency work), the response unit, and the contaminated sites program, which deals with the long term legacy contamination, and a small administrative unit that primarily focuses on cost recovery. Their Challenges and Opportunities are:

- Sustainable funding
- Continued level of services to protect the environment and human health

The division's mission is pretty much like the department's: protect public safety, health and the environment through prevention, preparedness and cleanup of oil and hazardous substances.

MS. RYAN said they respond to all releases of oil or hazardous substances and that means a lot of their responses are to unregulated facilities like: air transportation release, vessels, residences, and vehicles.

SENATOR MICCICHE asked for an incident table over a wider span of years.

MS. RYAN responded that the number of incidents is a consistent figure, about 2,000 spills per year. They don't necessarily go out to all of them, but that's how many calls they get. The percentage is pretty consistent between regulated versus unregulated.

SENATOR STOLTZE asked what events or products are included in an oil spill.

MS. RYAN answered that slides 20 and 21 break down the spills by industry and product type in the last year. She explained that oil is used as a broad category and many products fit into it. The majority of responses are to refined fuels like diesel and heating oil, but produced water is responded to the most on a volume bases.

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SENATOR WIELECHOWSKI asked if the state actually pays for spills and if the perpetrator gets billed. He was trying to figure out how the Response Fund money is used.

MS. RYAN said its spent on a variety of situations; some are produced water spills that don't need as much of a response as a crude oil spill, but the laws require the spiller to have the first response, and if they are regulated by DEC they are immediately responding and are overseen by the DEC. If their response isn't adequate, SPAR can take over and hire its own contractors to finish the process.

SENATOR COGHILL asked her to share a spill event they had talked about earlier.

MS. RYAN responded that there are a lot of truck roll overs moving fuel up the Dalton Highway, but recently a truck from Valdez rolled over and their \$1 million insurance policy didn't cover the whole event, because it was over a frozen creek bed that feeds into the Copper River system. They wanted to ensure that all the product was cleaned up before spring thaw occurred. That ended up being a pretty expensive event, because the ground was saturated much further down than expected. The EPA, their partners on inland spills, decided to take that one over, but they could have just as easily done so with their authority. Then they turn around and ask the responsible party to pay costs, which sometimes doesn't happen and sometimes happens but with a lag of several years.

SENATOR COGHILL remarked that an event like this could literally put a business out of business. So having the ability for the state to clean it up and then billing the operator who would then figure out the financing is a good thing.

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MS. RYAN said everyone knows about how the decline in production has caused a shortfall to the Oil and Hazardous Substance Release Prevention and Response Fund, which needs 1 million barrels a day production to sustain itself. It is now down to \$500,000. Settlements and penalties come in, but they are unpredictable.

SPAR has reduced use of the fund by limiting growth to 2 PCNs in 10 years and eliminating some large draws on the account, which was traditionally used to fund the clean-up of state-owned contaminated sites to the tune of \$17 million over the years. They have also been doing a better job of cost recovery without reducing services by automating those efforts and combining two programs: the prevention and the response programs. The prevention program told industries in general what to do in case a spill occurred and the response groups would come in and tell them what to do when a spill was occurring. They saw an opportunity for synergy there to make sure that the planners are also responders and vice versa, so the same message is being provided before, during and after an event. These efforts have saved \$520,000 and eliminated four positions.

SENATOR STOLTZE asked if she had any recommendations in terms of sustainability of the Response Fund in the light of declining production.

COMMISSIONER HARTIG responded with the following key considerations in addressing the shortfall and who pays, how much, and how to allocate with and among the different industries:

- No one is looking at increasing risk
- Recognize that declining production affects the Response Fund
- Look to other sources that aren't paying into the fund right now, but are causing the spills
- Continue to look for efficiencies in SPAR, partnerships, new technologies, better assessment of risks, and improvement to cost recovery

COMMISSIONER HARTIG said he had several discussions with the oil and gas industry, had met with the Alaska Oil and Gas Association (AOGA) and is setting up a committee to work on this issue. They are also having discussions with others inside and outside of state government on what they get from SPAR and whether they should be contributing.

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He said that prevention is the most important element in saving money. Who pays for Industry preparedness? The bulk of what they do really concerns the oil and gas industry: contingency plans (C-plans) for producing and storing oil, how it will be moved down pipelines, put on tankers and sent out of the state to refineries without spilling any. Those are very complicated plans that take years to develop; they go through all sorts of public review and comment and often litigation. They get renewed every five years. In the meantime, the department does best available technology conferences and leak detection from pipelines and other things. Since it's mainly about oil and gas, maybe oil and gas should pay more of the Industry Preparedness and Response Program bill.

He explained that maybe 10 percent of the 2,000 reported spills have some real response from DEC and probably 10 percent of those make the news. Cost recovery figures are being pulled together, so a fair discussion can be had; the same with the contaminated site program.

COMMISSIONER HARTIG said SPAR will have a \$7 million hole (46 percent of its operating budget) as a result of declining oil production. The oil and gas industry didn't think it was fair that they pay the whole thing and other avenues are being considered, like the motor fuel tax and a surcharge for refineries.

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SENATOR STEDMAN asked for a brief history of previous increases.

COMMISSIONER HARTIG answered that the legislation was adopted in 1989, not too long after the Exxon Valdez oil spill; the Federal Prevention Act of 1990 passed around the same time and they have never been changed. In that time, the SPAR's budget has gone up about 1.7 percent less than Anchorage's CPI. In the meantime a barrel of oil has gone from around \$10 to \$140 and now it's back down to \$50 and lower. But the surcharge has never changed. The only thing that did change was about three or four years ago when a 3 cent/2 cent allocation between the Prevention and Response Accounts was changed to 4 cent/1 cent to put more money into the Prevention Account.

SENATOR STEDMAN asked if a vessel sinks with 5,000 gallons of fuel on board do they guesstimate the net spillage or measure it.

COMMISSIONER HARTIG said they hope all the vents get plugged before the boat goes down, and the estimate is made on a case by case basis.

MS. RYAN replied that they count gallons spilled. If any fuel is recovered then it doesn't count as a spill.

CHAIR GIESSEL noted a 2013/14 Spill Response Report that listed the various spill statistics.

SENATOR MICCICHE said slide 20 shows volumes released by all products and four of the categories - processed water, drilling muds, crude and produced water which add up to 48 percent - are oil and gas related. He asked if that risk footprint reduced from the decline if that potentially could mean less money is needed or has industry supported the previous spills to the point where that correlation just doesn't exist. Historic levels of funding will be needed going forward even though the industry performs better than it has in the past.

MS. RYAN answered that prevention has caused a decline in spills, but because of changes in infrastructure the spills are different now. Double-hull tankers and double escorts are in place in Prince William Sound, so Exxon Valdez type incidents are a lot less likely today, but that risk is being picked up by aging infrastructure issues with all the pipelines.

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CHAIR GIESSEL recognized Senator Huggins in the audience.

SENATOR MICCICHE asked if the gallons spilled per year has been consistent.

MS. RYAN answered yes; they are pretty consistent at about 2,000 per year. When regulated companies have a spill, they tend to be bigger, but they are more equipped to respond. The state has more investment in the small spills in homes and small villages that don't have any resources to address them.

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SENATOR COGHILL asked if "do not increase the risk" on slide 11 meant the department was against any new development in Alaska. He also asked if the state will need to partner with the EPA and the Coast Guard on Bering Sea risk issues.

MS. RYAN answered no in reference to slide 11; they believe a robust prevention effort is necessary so people can be

comfortable with the risks that are occurring. As for the risks in the Bering Sea, they work a lot on addressing those concerns; one was by commenting on the Polar Code for the state. She also had been attending Artic Council meetings on prevention and response to form relationships with Russia and Canada, our partners in any sort of a response. Shell is bringing their entire response capacity with them to the Arctic, because the state can't provide it. If development continues in the Outer Continental Shelf (OCS) more partnerships will be seen. It's to industry's benefit to share the response resources.

COMMISSIONER HARTIG added that they have been working on keeping 10 or 12 balls in the air at any one time in looking at marine transportation and OCS development; some is state regulated, some is national, and some is international. He works as part of the U.S. delegation under the federal umbrella to affect things, works with the Coast Guard on national rule making on safety, and works directly with the Canadian government and through the U.S. government on mutual aid agreements. He is planning on doing a strategy paper about how those are prioritized and linked up.

SENATOR COGHILL commented that our crews got high marks in the Gulf of Mexico, which gave Alaska a lot of credibility.

COMMISSIONER HARTIG gave kudos to all the oil spill response organizations in the state that he said are private co-ops. The Gulf disaster took up a third of his time in deciding what was going to leave Alaska and what couldn't. He explained that all the West Coast states have agreements on sharing resources; during the Gulf spill, Alaska would send certain things, California would send certain things, and nearby states would back them up with what they could. The whole process worked fairly well.

SENATOR WIELECHOWSKI asked if the state has any jurisdiction over how the Shell drilling in the Beaufort and Chukchi Seas is done, like the use of blow-out preventers.

COMMISSIONER HARTIG answered that the state would look at the blow-out preventers, but Shell's operations are all under federal jurisdiction, which has been open to the state commenting on their plans as they recognized that a plume could easily go ashore where the Alaska Oil and Gas Conservation Commission has jurisdiction. She said they are working on an MOU with federal regulators to solidify this arrangement.

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SENATOR WIELECHOWSKI asked if the department is confident that the drilling and exploration can be done safely without risk to Alaskan waters and land.

COMMISSIONER HARTIG said you have to be a realist, but he didn't know of any gaps in their risk mitigation measures. It has to be done well, because there isn't a lot of room for slippage.

SENATOR STOLTZE asked if he had discussions with other department heads about reflecting the actual costs of risk management.

COMMISSIONER HARTIG answered yes; it has been recognized that if spill response is left to each separate department, it may not be as efficient as if it was centralized in the one department that does that for a living. He explained that the states sites are all prioritized in terms of which ones need to be addressed most immediately because of the human health risk. Those are addressed through capital appropriations and then DEC would typically would have the lead and work with the other agency in terms of access.

SENATOR STOLTZE stated that DEC takes the budget brunt.

MS. RYAN responded that the current MOU between the departments is that DEC oversees the clean-up of their contaminated sites.

SENATOR STOLTZE asked how many positions were funded first and how many there are now.

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MS. RYAN responded that the prevention and response programs have been combined and four positions are being eliminated saving \$520,000 in personnel costs. They are continuing to see what other synergies can occur. For example, a company may have multiple C-plans and have to drill each one, but maybe in a certain body of water they can do one drill and everybody operating in that body of water can participate in that one drill together, because for a large response all assets will be called to the table. This is on the top of their list.

COMMISSIONER HARTIG added that they were starting down the road of consolidation and efficiency they found a \$2.1 million hole in their FY15 budget. He explained there are three inputs to the Response Fund: the surcharge, interest income on the \$50 million

account, and the cost recovery money. The legislature had appropriated \$15 million with the understanding a certain amount would be realized on that account from investment. It turned out that wasn't there. They cut internally and are down to an \$800,000 hole, but that's in the current fiscal year before the 8 percent reductions; so it comes out to about a 9.5 percent reduction in their operating budget.

He also pointed out a timing problem with the \$2.1 million hole and a \$7 million gap starting in FY16. Increasing the Response Fund by getting some money from somebody else will take effect July 1, 2015, then it has to be collected for another year, and then it has to be appropriated.

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MS. RYAN added that there are two uses of the fund for administrative costs: one is \$2 million a year by the department for administrative overhead overall (leases, phones, parking lots, supplies) and then \$1.6 million is used by the division primarily to do cost recovery but also to provide the data bases and tracking tolls needed to provide everyone information about what they are doing.

CHAIR GIESSEL asked if those were considered indirect costs.

MS. RYAN answered yes; that term could be used. It is impacted by the rate the departments charges the federal government to pay for services.

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She said the new program will be called the Prevention Preparedness and Response Program (PPR) and relies on five main local response organizations. It will serve the same people but some regulations will need to be streamlined. Alaska has state-of-the-art response capacity, but they are seeing increased problems with aging infrastructure.

CHAIR GIESSEL asked how old her pictures were.

MS. RYAN answered that they cover several years.

SENATOR WIELECHOWSKI asked her the status of the Pipeline Coordinators Office that was beefed up a couple of administrations ago.

MS. RYAN said funding was provided to DEC, but the State Pipeline Coordinators Office is in the Department of Natural

Resources (DNR), which she wasn't able to address, but explained that because of a large problem with a well pad, the legislature appropriated a couple of hundred thousand dollars to hire engineers to work with companies to evaluate their corrosion integrity systems to find problems before they occurred. That is in existence and that is a change to their budget.

COMMISSIONER HARTIG added that in 2006, BP had two spills from flow lines in a gathering center, and those aren't regulated under the federal law. They tend to be smaller and clustered and hard to pig. So, the DEC put regulations in place and has inspections. As a result most of those flow lines were replaced by industry.

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SENATOR WIELECHOWSKI asked if there are other ticking time bombs like the transit lines.

COMMISSIONER HARTIG answered that he is most concerned about the things one can't see like buried lines that haven't been inspected for a long time and about sub-sea pipelines in OCS development.

MS. RYAN said they limited response capacity for innocent passing vessels near Alaska in light of development occurring in Canada and in those areas was also of concern.

COMMISSIONER HARTIG said those vessels are subject to international law but not federal or state law.

SENATOR STEDMAN asked him to comment on what potential integration plans we have with British Columbia (B.C.).

COMMISSIONER HARTIG replied if their oil sands production goes to Asia it will go on the Great Circle Route and come north; Dixon Entrance would be the first place it comes close to Alaska and then other places in the Aleutians and some of the recent worst accidents have been drift groundings in the Aleutians. The state participated in a risk assessment on marine transportation in the Aleutians with expert panels and stakeholders that looked at the history of casualties and suggested what mitigation measures could be put in place. Some of them are already being done, but he is working with the Coast Guard to see what else can be done.

MS. RYAN related a close call in Dixon Entrance when a vessel lost control and how SPAR worked closely with B.C. in the

response, but said it's harder to work together on the prevention side.

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MS. RYAN said the number of C-plans approved in Cook Inlet are more than on the North Slope. She said during the Deep Water Horizon event it was found that relief well drilling was the key prevention measure to stop oil from being released. It is very expensive for Shell to have two drill rigs in the same area of the OCS, so there is a lot of discussion, but that is the standard that is expected. She showed slide 20 with statistics about spills.

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Slide 22 showed the top five causes of spills in 2014 and they all involved produced water.

SENATOR MICCICHE asked why not combine the human error and overfill categories.

MS. RYAN said she couldn't answer that one.

CHAIR GIESSEL remarked that all five categories are not all occurring on the North Slope. They are all over the state - at a school or gas station.

MS. RYAN agreed.

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She said the Contaminated Site Program does critical work, as well. They are working with the Bureau of Land Management (BLM) to make sure the state's clean-up standards are met in cleaning up the legacy wells. The settlement money for those sites takes a long time to come back to the state, sometimes up to 10 years.

Flint Hills is the largest and most famous contaminated site in the state with a large plume impacting the ground water of North Pole. They have an approved on-site clean-up plan for the refinery now, so it can be sold with some assurance as to what would be expected of a future owner to maintain the systems to keep the product from leaving the property.

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SENATOR WIELECHOWSKI asked for a sense of when the plume will be controlled so it's no longer expanding and if additional houses would be subject to it.

MS. RYAN said the plume is moving, which is common to underwater contamination; this product in particular is attracted to water. So as the ground water moves in this area, it's moving with it. It's a difficult ground water area to map, and the contaminant is being found in not only the shallow aquifer but in the extremely deep aquifer, which is confusing. But there are some predictive models, so they assume it will continue to move in one direction. It's currently impacting over 300 homes that are on private water.

SENATOR WIELECHOWSKI asked how long before the sulfolane is under control.

MS. RYAN answered they have found that air exposure (air sparging) is working in breaking the sulfolane down, but the extent and depth of the plume is a problem.

SENATOR STOLTZE asked if the problem is still being identified, because it seems like the solution is still undefined.

MS. RYAN replied that the science is still evolving. Unfortunately, not a lot is known about sulfolane; this is a test case. Several short-term exposure studies have been done, but the problem is that the chronic exposure information isn't there. She said the commissioner remanded the clean-up decision back to the division where a panel of experts have looked at the available information and came back with a report that is currently being evaluated.

SENATOR STOLTZE remarked on the potential harmful effects on humans and asked if the feds could be put on the hook for telling us what a safe level is.

COMMISSIONER HARTIG responded that the problem is a lack of studies to rely on and a lack of federal numbers. Sulfolane has not been used as much as other industrial solvents, so existing studies are short-term and not on humans. So, short term studies on other organisms are being used to say what they think the long term effects might be on humans. Expert information is taken and judgment calls are made on what is safe. Whenever they approve a clean-up it always comes with a footnote to revisit it and maybe call back the responsible party.

He said nobody wants their kids to drink an industrial solvent at any level. When he first heard about the Flint Hills situation, he thought a public drinking water system would be needed and money was appropriated last session to look into

extending the existing public water system. Personally, he thinks that is the ultimate solution, because the people won't get 100 percent assurance that a certain level of contaminant is safe.

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SENATOR COGHILL said he appreciated Flint Hills' effort to get the water to a safe drinking level. He asked if the department had come up with a way to handle ground water encountered during digging foundations and things like that.

MS. RYAN replied yes and explained that the water level is very high there and it's almost impossible to dig a hole without running into it. Collecting the contaminated water and disposing it somewhere else is difficult, but a simple mechanism to "dewater" was developed using a disposal methodology.

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ALICE EDWARDS, Director, Division of Air Quality, Department of Environmental Conservation (DEC), Anchorage, Alaska, said it is a relatively small program focused on permitting and compliance of air emissions for industrial facilities. They also work with communities on air quality issues and do air monitoring. Some of their key challenges are working with Fairbanks on its air pollution issues and working on rural air quality issues with the villages. Within their permitting program they are always watching the changing federal rules.

She said the Air Permits Program is fee based and has two basic types of permits: one is for construction of new facilities or modifications to existing facilities and Title 5 permits, operating permits which establish the compliance monitoring for the existing facilities and put that all into one place once the facilities are constructed. The program also does the compliance assurance inspections and follows up on permit deviation by industry.

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MS. EDWARDS said the program maintains an on-going process for improving consistency and timeliness of permitting to streamline them over time. Most of the costs are recovered through fees for different types of permits. She said the permits program also responds to a lot of the general air quality complaints from around the state that aren't related to industrial facilities: things like open burning.

She said they work with stakeholders to identify ways to simplify things, make the permits more understandable and find efficiencies. New federal rules and standards are always being imposed and the department looks at them from an Alaska perspective and provides comments to EPA on its proposals.

The carbon standards for power plants just came out and will be finalized next summer. The wood heater emission certification standards, also proposed by the EPA, should be finalized in the next month. Every few years EPA is required to update their national ambient air quality standards by looking at the most recent science. When these new health-based standards come down she tries to figure out how to bring them into their permitting program.

SENATOR COGHILL said the new carbon standards for power plants is falling under the 111(d) rule and he thinks they are off their authority in Fairbanks. He hoped the department would make the strongest case possible to stand up against that rule.

COMMISSIONER HARTIG said he deferred to the AG's office on that issue, but his main concern is that the 111(d) rule presumes that all these existing power plants are tied to a grid, but Alaska doesn't have that. It would cost about \$1 billion to build the system to be able to move power around, the rule being to get the power from the least carbon intensive source when there is a power demand.

SENATOR COGHILL appreciated them talking about the impracticability of it.

SENATOR STOLTZE asked if more challenges would be seen on particulate matter (PM) attainment areas.

COMMISSIONER HARTIG said they are concerned about the Butte area.

MS. EDWARDS said other areas of the state can have pollution problems from things like wood stoves; it's not just confined to the Fairbanks area. The Butte area has high PM values, but not in Palmer or Wasilla.

She said Fairbanks is the one area of the state that is designated by EPA as not complying with health standards for fine particulate matter and they submitted an initial air quality plan to EPA on December 31 that was focused on getting

cleaner burning wood heaters and dry wood into the community and expansion of natural gas.

SENATOR COGHILL commented that Fairbanks went from PM 10 to PM 2.5 in short order at the same time fuel oil was going up to \$145 a barrel.

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MS. EDWARDS said it's really important to avoid this in other parts of the state and she does community outreach and education on a number of issues like dust, wood smoke and open burning. They are always looking for partnerships with communities, the tribes and federal agencies to try to bring things together to improve air quality.

SENATOR MICCICHE asked if the EPA looks at a community like Fairbanks that is noncompliant due to survival differently because of the lack of choice and, if so, does it have grant programs that might be used to get natural gas to the Interior.

COMMISSIONER HARTIG answered they had a lot of discussions with EPA on this and so has the Fairbanks North Star Borough. An EPA administrator came up to Fairbanks, and yes it does look at Fairbanks differently, because in other areas of the country where wood stoves have become more popular burn bans can be implemented. Those can't be done in Fairbanks, because things would freeze up pretty quick. One grant was made to Fairbanks by the federal government.

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MICHELLE HALE, Director, Division of Water, Department of Environmental Conservation (DEC), Anchorage, Alaska, said her division has two components: the water quality and the facilities components: facilities is where the Village Safe Water Program is and the water quality is where the permitting and water quality standards programs are.

She said the state has had full primacy of the Alaska Pollutant Discharge Elimination System (APES) since 2012, but primacy began in 2008. A large backlog of permits was inherited but they are doing great with those; last year 19 major permits and 744 authorizations were issued. In 2013, a bill was passed directing the state to see if it should assume primacy for the 404 program and improvements were made to some of the wetland permitting, but the funding for that was lost in 2014. A detailed plan for assumption should funding be restored was developed and neatly

put it away so it will be easy to pick up again and move forward.

A wetland mitigation strategy for Alaska is a big issue and will become even bigger as the Corps requires mitigation for wetlands projects.

MS. HALE noted the 64 percent (\$62 million) decline in funding for drinking water and waste water facilities in the villages. About 4,500 homes in rural Alaska have never had primary drinking water and waste water service and there is a direct correlation between clean water and public health. In Pakistan, a hand washing with soap study demonstrated that it dramatically reduced death rates. Children in Southwest Alaska suffer some of the highest death rates due to pneumonia in the world. Homes that don't have running water to wash hands in have an 85 percent higher rate of hospitalization in infants for pneumonia. To address the huge funding gap, the department launched an international challenge - a public/private partnership to look at in-home water/sewer service systems that take much less capital to install and have lower operating costs.

SENATOR COGHILL remarked that a Fairbanks entrepreneur was actually looking at water treatment that can clean sewer water.

COMMISSIONER HARTIG said their idea is to leverage private know-how.

SENATOR COGHILL said he was looking forward to the villages benefiting from this type of research and development, because operation of the bigger systems has not gone well, in his view.

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CHAIR GIESSEL adjourned the Senate Resources Committee meeting at 5:08 p.m.