

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

February 1, 2017

3:30 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator John Coghill, Vice Chair
Senator Natasha von Imhof
Senator Bert Stedman
Senator Shelley Hughes
Senator Kevin Meyer
Senator Bill Wielechowski

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

UPDATE ON THE OIL AND GAS COMPETITIVENESS REVIEW BOARD

- HEARD

SB 3-SMALL VESSEL WASTEWATER EXEMPTION; 1% ART

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 3

SHORT TITLE: SMALL VESSEL WASTEWATER EXEMPTION; 1% ART

SPONSOR(s): SENATOR(s) STEDMAN

01/09/17	(S)	PREFILE RELEASED 1/9/17
01/18/17	(S)	READ THE FIRST TIME - REFERRALS
01/18/17	(S)	RES
02/01/17	(S)	RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

RANDALL HOFFBECK, Commissioner
Department of Revenue (DOR)
Juneau, Alaska

POSITION STATEMENT: Provided an update on the Oil and Gas Competitiveness Review Board (OGCRB).

WYCHE FORD, Chairman
Oil and Gas Competitiveness Review Board
Anchorage, Alaska

POSITION STATEMENT: Provided an update on the Oil and Gas Competitiveness Review Board (OGCRB).

SENATOR STEDMAN
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 3 as the sponsor.

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

POSITION STATEMENT: Commented on SB 3.

BEN WHITE, Manager
Cruise Ship Program
Division of Water
Department of Environmental Conservation (DEC)
Anchorage, Alaska

POSITION STATEMENT: Commented on SB 3.

CAPTAIN MIKE NEUSSL, Deputy Commissioner
Department of Transportation and Public Facilities (DOTPF)
Juneau, Alaska

POSITION STATEMENT: Supported SB 3.

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 Stedman, Meyer, Hughes, von Imhof, and Chair Giessel. Senators Wielechowski and Coghill arrived shortly thereafter.

Update on the Oil and Gas Competitiveness Review Board

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CHAIR GIESSEL announced the update of the Oil and Gas Competitiveness Review Board (OGCRB) that SB 21 (an overhaul of

the state's oil production tax system) created in 2013. Section 31 of that bill created the OGCRB that consists of 11 members from the governor's cabinet, the state's hydrocarbon regulatory authorities, public members affiliated with the industry trade associations, as well as some members at large.

She said the Review Board has five key duties:

1. Maintain relevant and obvious information about Alaska's petroleum fiscal regime,
2. Review the level of investment in Alaska from the energy sector - past and present - and forecasting future commitments,
3. Identify factors that influence those investment decisions,
4. Identify Alaska's competitive peers and assess how our state stacks up compared to other destinations, and
5. Make written findings and recommendations to the legislature on how to improve Alaska's competitiveness.

CHAIR GIESSEL said the board has met several times. Today they would hear from Mr. Wyche Ford, Chairman, and Randall Hoffbeck, Commissioner of the Department of Revenue (DOR), board member.

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RANDALL HOFFBECK, Commissioner, Department of Revenue (DOR), Juneau, Alaska, said because it is difficult to do a presentation over the phone, that he would walk through the presentation and Chairman Ford would chime in when appropriate. He started with the history of the Oil and Gas Competitiveness Review Board, some of the future deliverables from the board, Cook Inlet and Middle Earth under HB 247 and how that has affected the deliverables, and then an update on the deliverables and progress so far.

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COMMISSIONER HOFFBECK said the board was formed under SB 21 to advise the legislature on the state's fiscal system issues surrounding the labor pool and regulatory competitiveness, as well as establishing and maintaining salient data regarding oil and gas exploration, development, and production. A link to the board can be found on the DOR's website for a much more robust description of all the duties under SB 21.

As part of the first deliverable that was due on January 15, 2015, a report was completed at the end of February and delivered to the legislature in March 2015. The report is 92 pages and covered much of the salient data that was available publically on the various components that the board was asked to

look at as well as some independent analysis done by the DOR staff. When it was delivered, everyone was a little disappointed, because of all the holes in the data, but a lot of information is just not available. So, the board embarked on plugging those holes, which led to one of the big difficulties it has: a lack of resources to do the work. All 11 members of the board as well as the DOR have been and still are relied upon heavily for their expertise, time, and staff to deliver the products, so far.

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COMMISSIONER HOFFBECK said one issue the board faces is analyzing competitiveness with other states and while the department know what Alaska is doing, it doesn't necessarily know what Texas or North Dakota are doing to any reliable extent.

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WYCHE FORD, Chairman, Oil and Gas Competitiveness Review Board (OGCRB), Anchorage, Alaska, said funding is a big limitation for the board in trying to address the research and analysis needed. However, it has identified opportunities to cooperate and provide input to studies being done by others in an attempt to provide a balanced presentation and comparison of the fiscal regime tax structures as well as regulatory regimes that affect the competitiveness of the oil and gas industry. The board does not form policy, but they simply try to understand where the industry is compared to other states. One of the limitations they have had is the resources to do some of the necessary financial analysis and have it done in a way that is accepted by a broad cross-section of the legislature as well as others.

COMMISSIONER HOFFBECK said two public members of the board are specifically not involved in the oil and gas industry, three are administrative department heads for DEC, DNR, and DOR, one members is from the Alaska Oil and Gas Conservation Commission (AOGCC), three are oil and gas subject matter experts (one petroleum engineer, one geologist, and one financial analyst), and two are trade group representatives that are nominated by the trade groups and appointed by the governor.

The initial board appointed on July 1, 2014, was a pretty amazing group of people to work with, and began to gear up to fill in the gaps, but then it started losing board. Five of them left just because of personal commitments to their businesses in the industry. Then two other commissioners left as well, and they ended up with a new board at the end of 2015. The board was

reconstituted by mid-2016 and started on the process of looking at the January 2017 deliverable focusing on the Cook Inlet tax regime. They concluded that it would be difficult to construct the report because of the significant changes that were made to it under HB 247 that was passed in June of 2016, and were still being implemented.

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The last two specific deliverables are laid out in statute: the one report due on January 15th, 2017 was specifically focused on the Cook Inlet tax regime and the other report was due on January 31, 2021, and was a larger statewide review of the state's tax system and competitiveness. When they realized in the middle of summer that the 2017 deliverable was probably not going to occur, they wrote a letter to Legislative Budget and Audit Committee (LB&A) informing them of that and asking for a delay of two years. The LB&A Committee replied that they didn't have jurisdiction to grant a reprieve, so once the new legislature formed after the elections letters were sent to both the President of the Senate and the Speaker of the House informing them that it would be best to delay the report until 2019 to have something that was worth reporting on.

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Slides 7 and 8 list the changes in the Cook Inlet and Middle Earth tax regime, which is where the report was focused, and by the end of this calendar year, Cook Inlet won't have a credit program anymore; instead there will be a simple \$1/barrel oil tax and a 17.7 cents/mcf average gas tax, and no one knows how the market is going to react to it.

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COMMISSIONER HOFFBECK said slide 9 had an excerpt from the letter requesting the extension to July 15, 2019. The 2021 deliverable on slide 10 is an idea that came out of the governor's office working with Alaska Oil and Gas Association (AOGA). Even though they didn't have a viable 2017 delivery, the idea was to not wait until 2021 to start talking about the broader state competitiveness. They tried to create a joint effort between AOGA and the administration to contract for a report, the reason being they recognized that the public would think a report done by AOGA would be biased to industry, and if the administration put it out, that it would be biased to the administration. The thought was that everyone could feel comfortable that a joint report wouldn't be biased. But because of appropriation and procurement issues, a joint effort wasn't put together. So, AOGA contracted with Wood Mackenzie to do a

report and DNR/DOR are in the process of commissioning a similar report using a similar scope of work and similar deliverables. The idea is that the OGCRB will take the two reports and compile and isolate the similarities and the differences to get a range of perspectives on differences and commonalities. This report will take some of the bias out of the discussion and give everyone comfort that the report is balanced. This has not been presented to the full board, yet, but it is being scheduled.

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MR. FORD thanked the committee for the opportunity to give the update and increase the awareness of the board's function, as he hadn't seen evidence that their work had been used. Therefore, he requested the proper method for committees, legislators, and staff to engage with the board for this information.

CHAIR GIESSEL agreed with him and said the board was given no funding to do a formidable job. He was right that while the legislation was well intended, it had forgotten the board as a resource. She appreciated OGCRB and AOGA stepping-up to the plate and acknowledged board member Kara Moriarty in the audience. She also recognized John Hendrix, special advisor to the governor.

CHAIR GIESSEL also said she appreciated the request to delay the report, because it is just too soon to evaluate Cook Inlet. She strongly urged that as the legislature goes through the budget process it needs to get the board resources or make it go away.

COMMISSIONER HOFFBECK commented that the number of hours that the original 11 members put in for the first report were amazing: multiple meetings and multiple edits. His staff compiled the report under "other duties as assigned," and having resources to move forward would help the process.

SENATOR WIELECHOWSKI asked if there has been any funding at all since the board's inception and if they have access to independent experts.

COMMISSIONER HOFFBECK answered that the board has not had a budget since it was formed. The DOR has been covering all transportation and meeting costs and members have been good about teleconferencing as much as possible. DOR staff and staff of the various members did the work.

SENATOR WIELECHOWSKI asked how much money was spent by DOR on this board.

COMMISSIONER HOFFBECK answered they hadn't tracked the hours, but one person spent probably three to four months compiling the report almost as a full-time project.

SENATOR WIELECHOWSKI said he wanted staff time, salaries, and expenses numbers and asked again if they have access to experts.

COMMISSIONER HOFFBECK answered they don't have direct funding, but AOGA has funded an expert and DOR/DNR and the administration have cobbled together the money to fund an expert as well. It's all coming out of year-end funds that have loosened up. He will do his best to estimate man hours and the costs, however.

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SENATOR HUGHES said he mentioned it was difficult to gather information from other states and asked if that extended around the world, as well. How can the board compare competitiveness without being able to collect information from these other locations? How is that being compensated for?

COMMISSIONER HOFFBECK replied the first report has a little bit of outreach outside of the U.S., but most of the focus is on competitiveness within the U.S., because a lot of published data was used. His staff reached out and contacted taxing departments in North Dakota, Texas, and Wyoming, and found out what their base structure is. But even in Alaska's tax law, there's the rate but a lot of other stuff underneath that going on. This is where the Wood Mackenzie report will be a real benefit, because that is their business. The timing on the report to try and get something delivered to the legislature this session is such that there will be a lot of off-the-shelf data in this report.

MR. FORD had no closing comments.

CHAIR GIESSEL encouraged members to look at the report that is on line.

SB 3-SMALL VESSEL WASTEWATER EXEMPTION; 1% ART

[3:53:33 PM](#)

CHAIR GIESSEL announced consideration of SB 3. It proposes continuing a discharge exemption for certain vessels and applying a waiver of the 1 percent for art for the new Alaska-class ferries being built for use in the Alaska Marine Highway System (AMHS).

She explained that the 1 percent for art provision dates to 1975 and requires if capital budget money is spent on public facilities that 1 percent of the construction costs go toward the acquisition and/or installation of art work. In 2006, a voter initiative imposed discharge standards that were also applied to the Alaska Marine Highway System that was then exempted.

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SENATOR STEDMAN, Alaska State Legislature, Juneau, Alaska, sponsor of SB 3, said this is an extension bill with another art component. Looking at the exemption, Alaska has smaller ships, mostly older, particularly the AMHS vessels. If AMHS was required to comply, it would face a cost issue on their old ships that are being phased out and the newer ones have a cost and design issue.

He explained that retrofitting the old ships would cost \$5 million, which is a low estimate, and exempting the three newer ships could accommodate the state's current budgetary strains. No visible impact from this exemption have been seen around Southeast waters, and his office has not had any complaints about discharges from the AMHS at all.

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SENATOR STEDMAN said the smaller cruise ships are concerning, but even bringing those into compliance interferes with the stability of the ships while the costs go way up. Information he has indicates that amortizing those costs is difficult. Besides, they haven't had a lot of complaints or issues from the smaller cruise ships either.

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The other portion of the bill is the well-intended law dealing with art work in buildings. But that requirement with the AMHS vessels that will be retiring - one is in the news today if anybody wants it for free - could be dealt with by taking art out of the old ships and putting it into the new ones. It could save \$1-2 million per ship.

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SENATOR STEDMAN said cruise ship discharges is not a new issue and most are familiar with it. The most contentious part of that issue doesn't apply to this bill, which just keeps the status quo. He encouraged support saying that representatives from the Department of Environmental Conservation (DEC) and AMHS could provide details.

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SENATOR COGHILL asked if the retroactivity goes back to the original requirements and if there is no sunset date.

SENATOR STEDMAN answered his understanding is that there is no sunset date, and one isn't necessary, because the two new ferries are probably going to last 50 years and the other small cruise ships will be operating in Alaska's waters for decades. They must also comply with best management practices that DEC has tightened up. So, the industry is not getting a free ride, by any means. This is one reason there aren't many complaints.

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SENATOR MEYER asked when this sunseted.

SENATOR STEDMAN answered January 1, 2016.

SENATOR MEYER asked what has been happening during this year.

SENATOR STEDMAN said Alaska has very law-abiding marine-related businesses, but they just unintentionally ran past the deadline and are catching up now, but DEC and Marine Highways could better answer that.

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MICHELLE HALE, Director, Division of Water, Department of Environmental Conservation (DEC), introduced herself and said Ben White is the Cruise Ship Program Manager within the Division of Water and has the technical expertise in this area.

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BEN WHITE, Manager, Cruise Ship Program, Division of Water, Department of Environmental Conservation (DEC), Anchorage, Alaska, explained that since January 2016 they have been working with both AMHS and small vessel operators to continue operating as they have. A lot of the best management practice plans are good for five years, and a large majority of the vessels have been covered under an already-approved plan. The newer vessels were asked to submit a best management practices plan, which they have done. He has reviewed them and offered technical expertise, but they are not approved plans.

SENATOR COGHILL said it looks like a five-year plan is going to be required and asked how much time it takes for the smaller vessels to go through that process.

MR. WHITE answered that regulations in 18 AAC 69 spell out the best management practices plan requirements. Currently, they go through registration first. Then vessel operators will submit vessel-specific sampling and best management practices plans simultaneously. The requirements outline everything from an engineer's report to explaining when the sampling will be conducted. These typically take the smaller operators a little bit of time to develop, because they don't have the staff and resources that the larger commercial vessels have, and the larger cruise ships don't have the expertise in-house, so DEC staff engineers assist them in developing their plans. It typically takes a month of back and forth to get these developed. Once they are in place, the department works with them, and if there are updates to the system due to poor sample results the plan will be modified as they go along.

SENATOR COGHILL said that was a good answer, because sometimes it takes three years to renew a five-year permit.

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SENATOR WIELECHOWSKI referenced language on page 3, sections 5 and 6, and asked how much sewage is being discharged into marine waters on average.

MR. WHITE answered that a table was provided that demonstrates the average discharges. A lot of water conservation takes place on the smaller vessels, so their discharges are less.

SENATOR WIELECHOWSKI noted 11,619 gallons daily, and asked to what level that water is treated.

MR. WHITE answered processing and treatment of the water is still required. Most vessels have installed marine sanitation devices that have to meet certain standards and are certified by the Coast Guard. The discharge levels and limits are tied in with the Environmental Protection Agency (EPA) water quality standards. These marine sanitation devices get certified when they are installed at the federal level. Then the program monitors them to make sure that they are still meeting and performing at acceptable levels.

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SENATOR WIELECHOWSKI asked what chemicals are used to treat the water that also get released into the marine waters.

MR. WHITE replied that some have a biological system that performs more like a septic tank and some are treated with

chlorine, but the program monitors for that so there isn't an additional load of chlorine going into the system.

SENATOR WIELECHOWSKI asked what would be a comparable allowable number of suspended solids or fecal coliform count in drinking water, for instance.

MS. HALE answered that it's not appropriate to compare waste water standards with drinking water standards. For a drinking water sample, the limit for coliforms is zero. The water is being treated for completely different purposes. These waters discharged into a marine environment and not into an area where anyone will be drinking the water.

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SENATOR WIELECHOWSKI said that an exception is being made under section 5 that says a person may not discharge sewage that has suspended solids greater than 150 milligrams, but that limit can be exceeded. He asked what limits they allowed to go to on a milligrams per liter of fecal coliform basis.

MR. WHITE answered that these are the limits in place and ships are not allowed to go above them, but equipment has limitations, which is why the program monitors the activities. If these standards are exceeded they work with the operators, whether it's AHMS or the small commercial passenger vessels, to figure out the problem. Many times they conduct additional sampling after the system has been modified and the count will drop back down to acceptable standards.

SENATOR WIELECHOWSKI said under existing law a commercial passenger vessel cannot dump an excess of suspended solids greater than 150 milligrams into marine waters, but sections 5 and 6 of this bill would amend that to allow a plan for a small commercial passenger vessel approved under AS 46.03.462(k), and he is trying to figure out the maximum level of suspended solids DEC would approve.

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MS. HALE answered the best practices management plans that will be a result of this legislation will be detailed plans for each ship addressing how that ship can operate optimally to reduce the levels as much as possible. The plan, itself, does not have limits, but staff monitors the sampling and the operation of the systems on those vessels very closely, and work very closely with the operators on an ongoing basis to continue to drive those levels down. The website and their packets have a report

of sampling results from 2016 as well as on their cruise ship website, and those provide an idea of what kinds of levels are being seen in these samples.

CHAIR GIESSEL pointed out that five pages of detailed charts on levels were in their packets.

SENATOR VON IMHOF asked how frequently they check vessels' waste water.

MR. WHITE answered their staff consists of four people who work hard during the cruise ship season. They spend a lot of time reviewing and inspecting and try to look at every vessel at least once a year. In some cases, they will observe them more than once a year depending on past performance, responsiveness to questions, and their willingness to work with them.

SENATOR VON IMHOF asked if it is a prearranged visit or a surprise.

MR. WHITE replied that most of the time the vessels are notified when they will ask permission to board be boarded. He added that this program has been fairly successful just because of the responsiveness of the small vessel operators that are not foreign flagged like some of the larger ships. It's just timing for them and they try to not be a burden to their normal operations.

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CHAIR GIESSEL said the discharge standards were imposed in 2006 and she understands and this exemption for the small vessels has been in place the whole time.

MR. WHITE said that was correct the exemption is from obtaining a permit. So, they have data for 10 years in which improvement is seen.

CHAIR GIESSEL said while they are exempted from getting a permit they are not exempt from his monitoring program.

MR. WHITE said that was correct.

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SENATOR WIELECHOWSKI said the statute sets a limit of 150 milligrams per liter of fecal coliform and there are comparables for the City and Borough of Juneau, an Olympic-sized swimming

pool, and a large cruise ship, and asked what fecal coliform levels are allowed by a large cruise ship, for example.

MR. WHITE answered that the same statute sets out the limits for large vessels, as well.

SENATOR WIELECHOWSKI said 150 milligrams.

MR. WHITE said yes.

SENATOR WIELECHOWSKI referred to page 7 and said the M/V Columbia has a fecal coliform number of 64 milligrams, but then the Matanuska has 170,000 milligrams, and asked if that was per liter.

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MS. HALE explained the units for fecal coliform bacteria are per 100 milliliters. What Senator Wielechowski sees is the variability they were talking about. When staff receives a result that is high like that 170,000 they work with the operator - usually the operator will call them right away - to try to make tweak the operation and maintenance of the system to improve those numbers. They have seen average results decreased by something like 90 percent in fecal coliform specifically since 2004.

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SENATOR WIELECHOWSKI said the M/V Matanuska has one count of 8,900 and one of 2,100,000 and asked if that is raw sewage.

MS. HALE answered no. These systems are very variable, and operations on the cruise ships and ferries are also very variable. So, it really depends on what is going on in the moment on the ships. The Best Management Practices Program has worked very hard with the operators of the ships to reduce that variability.

SENATOR WIELECHOWSKI said he was just trying to understand how the Best Management Practices Process works and how the plans are established, because the department has a tremendous amount of authority. If you see a ship with 100,000 times the limit do you mandate that they lower the fecal coliform levels or fine them or what do you do, he asked.

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MS. HALE answered that the whole point of the Best Management Practices Program and the plans is continuous improvement. They

work very closely with all the operators, and typically when there is a high result, maintenance is conducted and operations are improved; then a resample is taken. Typically, they see vastly reduced levels, but it is an ongoing process.

SENATOR WIELECHOWSKI referred to the average result of 212,000 on page 7 and asked when they were taken. He remarked that some tests are within the limits, but some are also "astronomically higher," and he wanted some assurance that progress will be made. Does she have secondary tests that show decreases?

MR. WHITE answered the dates on the far left-hand side of that table indicate when those samples were taken. They work with the small vessel operators and either the analysis of the results isn't available yet or in some cases they will allow the operator to do what is best for their equipment and then test them when they come back the following year to see if efforts have improved the system.

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CHAIR GIESSEL asked where the 150 limit came from.

MS. HALE answered is an EPA standard, and it is used by the Coast Guard in its regulations.

CHAIR GIESSEL referred to page 7 and said the Matanuska had a level of 170,000 on 7/20/16, but then on August 15, 2016, the number was down to 8,900. She asked if that reflects a retesting and improvement.

MS. HALE replied that is correct and that is what is seen frequently as they work with these vessels.

SENATOR WIELECHOWSKI noted that the M/V Chichigof Dream tested 2,100,000 on 7/31, but then a month later and the test was at zero. Obviously, they are capable of getting to zero, he said. If it's totally discretionary and no penalties involved, he asked why the state wouldn't want stricter standards.

MS. HALE answered they always want improvement and they always want the best water quality coming from these effluents as possible. The purpose of the Best Management Practices Plan and Process is to continually encourage that improvement. Results reflect that when there are high values - and this happens in other industries as well - the industry is very responsive to those values.

SENATOR VON IMHOF asked what causes the big variability.

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MS. HALE explained that waste water treatment systems are living organisms and they respond to conditions in the environment. So, small changes can sometimes create a large variability in results. Again, the purpose of the Best Management Practices Plan and Process is to continually work with the operators of the system with the way those systems are operated. They respond to changes in what comes into the system and then what is going on in the vessel.

CHAIR GIESSEL thanked her and invited DOTPF to come forward.

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CAPTAIN MIKE NEUSSL, Deputy Commissioner, Department of Transportation and Public Facilities (DOTPF), Juneau, Alaska, said he oversees the Alaska Marine Highway System (AMHS) and supported SB 3. They worked very closely with the Department of Environmental Conservation (DEC) that includes training, monitoring their systems, feedback on the results, and corrective activities on those results. Another reason for the spike in numbers that Senator Wielechowski was referring to could relate to the footnote, which says that the hull time or temperatures were exceeded on a local result. If a test is not done properly or it sits too long, it can get worse with time. So, you could have a bad sample. When DEC gets the report on that, immediate action is taken to correct the problem, it's retested, and perhaps a much lower number results immediately after that. There are a variety of reasons for getting an outrageous looking number on these samples.

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He said the AMHS operates a fleet of old ships, but not old marine sanitation devices on those ships. Continual upgrades have been done as part of the Best Management Practices exemptions working with DEC. Of the five ships in the AMHS fleet this applies to, all have had a major upgrade in the marine sanitation treatments systems between 2009 and 2011.

CAPTAIN NEUSSL noted that this measure reinstates an existing regulation that has been in place for 10 years and it has worked well for that 10 years.

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Vessels are very cognizant of their discharges and know where no-discharge zones are and don't discharge in port. Ships' crews are trained to monitor that.

MR. NEUSSL corrected two things; one, that this regulation does not apply to the Alaska-class ferries that are being built. Many of the small vessels in the AMHS fleet including the Alaska-class ferries are no-discharge vessels and collect their grey water and black water onboard in holding tanks and pump it ashore, and it gets treated through municipal waste water treatment facilities. The fast ferries - the M/V Chenega, the M/V Fairweather, the M/V LeConte, and the M/V Aurora - all pump ashore.

The other factor is that the M/V Tustumena's replacement vessel as designed will fall under these requirements; the current Tustumena does not have enough overnight accommodations to be held to the standard. The replacement vessel is an enhanced capability vessel that will meet that standard of 50 lower berths in the staterooms for passengers.

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SENATOR WIELECHOWSKI asked if it is expensive to install holding capacity in existing ships so waste water can be dumped on-shore.

MR. NEUSSL answered that is not practical for the M/V Columbia and the M/V Malaspina that go all the way down to Bellingham and back, a two-and-a-half day journey. It is not possible to hold that much waste water onboard. It needs to be treated, processed, and discharged overboard. Smaller vessels on day runs out and back can connect and pump ashore.

SENATOR WIELECHOWSKI said he assumed that a huge portion of the run to Bellingham is not in state waters and asked if the waste water is dumped in international or Washington State waters?

MR. NEUSSL allowed that the rules are continually changing on that. AMHS doesn't travel in international waters; they run the Inside Passage the whole way and they are allowed to discharge in Canadian internal waters. The entirety of Puget Sound is under consideration now to become a no-discharge zone. Having been advised of that potential, they looked at their vessels and found that they have enough capacity to hold the grey and black water produced by the vessel on board to get into and back out of port before they start processing and discharging. So, that type of restriction can be accommodated. Certain areas in Alaska

near fisheries and critical habitat areas are no-discharge zones, so they do have some limited holding capacity, but not enough for the entire voyage.

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SENATOR WIELECHOWSKI remembered reading some months ago about fish getting tested in Puget Sound and salmon having a huge percent of drugs like Prozac in them. He asked if the AMHS discharges are tested for drugs.

MR. WHITE answered no; they don't test for things not on the list of standard items to test for. But as the DEC representative said, some systems use chlorine and there are instances of strange things coming up in vessel samples. It is good to catch them and trace them back and correct that problem.

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CHAIR GIESSEL asked him to describe the collection process that might skew sample results.

MR. NEUSSL replied that sampling of waste water systems has a rigid procedure. The sample might need to be refrigerated so it doesn't continue to grow and multiply colonies by the time it gets to the lab to be tested, for instance. The AMHS has a full-time environmental officer on staff that pays attention to these types of things, along with air emissions and other elements for compliance.

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SENATOR HUGHES said the fiscal note estimates a \$3.9 million savings by not spending 1 percent for art and asked if that \$3.9 million will be spent for other things or will it actually be a savings.

MR. NEUSSL answered that the construction contract for the two Alaska-class ferries being built in Ketchikan right now was for \$101 million. So, technically by the statute, 1 percent of that would have to be set aside for art work for those vessels. However, there won't be a savings of \$1.01 million if this bill is enacted, because those vessels are under-funded. As part of the effort to keep the construction costs within the allowable budget, concessions were made. Items like life-saving slides, radars, and some other essential equipment to have the ship functional were listed as state-furnished equipment to be funded from other sources and provided to the construction contractor. So, the exemption of these particular vessels from the 1 percent

for art requirement would allow that money to be used to provide the necessary equipment.

SENATOR HUGHES said she thought it was just good common sense to use art work from the old ferries that will be retired.

MR. NEUSSL added that the M/V Taku artwork has been inventoried and is in climate-controlled storage with the intention of using it on the new Alaska-class ferries.

CHAIR GIESSEL asked what the cost would be to the fleet without this exemption for the waste water.

[4:38:45 PM](#)

MR. NEUSSL replied that the cost is based on a 2009 study to install an advanced waste water treatment system on the M/V Taku that would meet the large cruise ship discharge standards and the estimate was \$1.25 million. A lot of factors go into that cost. It will cost more today, and other vessels will have structural differences, but potentially the most expensive is the fact that an advanced waste water treatment system necessary to achieve the much higher standards is a much larger piece of equipment and it might not physically fit the space available on the ships. However, detailed studies had not been done on those. When these ships came on line in 1963 the regulations were much less stringent.

CHAIR GIESSEL stated she would hold SB 3 in committee for future consideration.

[4:40:24 PM](#)

CHAIR GIESSEL adjourned the Senate Resources Committee meeting at 4:40 p.m.