

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

February 26, 2020

3:31 p.m.

MEMBERS PRESENT

Senator Peter Micciche, Chair
Senator John Coghill, Vice Chair
Senator Click Bishop
Senator Cathy Giessel
Senator Joshua Revak
Senator Jesse Kiehl

MEMBERS ABSENT

Senator Scott Kawasaki

COMMITTEE CALENDAR

CONFIRMATION HEARING(S)

Alaska Oil and Gas Conservation Commission
Jeremy Price - Anchorage

- CONFIRMATION ADVANCED

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JEREMY PRICE, Appointee
Alaska Oil and Gas Conservation Commission
Department of Commerce, Community, and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Testified as appointee to the Alaska Oil and Gas Conservation Commission.

DAN SEAMOUNT, Geologic Commissioner
Alaska Oil and Gas Conservation Commission
Department of Commerce, Community, and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Testified in support of Mr. Price's appointment.

ACTION NARRATIVE

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CHAIR PETER MICCICHE called the Senate Resources Standing Committee meeting to order at 3:31 p.m. Present at the call to order were Senators Bishop, Giessel, Coghill, Revak, Kiehl, and Chair Micciche.

CONFIRMATION HEARING(S):

Alaska Oil and Gas Conservation Commission

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CHAIR MICCICHE announced that the only order of business would be consideration of the governor's appointee to the Alaska Oil and Gas Conservation Commission (AOGCC), Mr. Jeremy Price.

He asked Mr. Price to make an opening statement regarding his qualifications and interest in serving Alaska as an AOGCC commissioner.

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JEREMY PRICE, Appointee, Alaska Oil and Gas Conservation Commission, Alaska Department of Commerce, Community, and Economic Development, Anchorage, Alaska, stated that he is honored by his appointment, a role that he takes very seriously. He said working with the experienced and dedicated professionals at AOGCC has been humbling.

He detailed that he is an Alaskan, born in Fairbanks and raised in Salcha. He said he grew up working in a family owned electrical construction company and learned early the benefits of hard work. He said he developed an interest in energy issues at a young age.

He related that he moved to Washington, D.C. in 2005 to work on Capitol Hill after receiving a bachelor's degree in business. He devoted his time and attention while there to protecting Alaskans' interests in oil and gas, infrastructure, transportation, and appropriations for roads, bridges, ports and harbors. He noted that he worked with the Prince William Sound Regional Citizens' Advisory Council (PWSRCAC) to pass legislation to improve the safety of oil tankers transiting

Prince William Sound. He added that he worked with regulators from various federal agencies to remove the unnecessary roadblocks in the way of responsibly developing Alaska's oil and gas resources. He said he believes that developing resources and infrastructure while protecting Alaska's environment are not mutually exclusive objectives.

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MR. PRICE detailed that he received a master's degree in government from John Hopkins University and wrote his thesis on conventional and renewable energy subsidies.

He said he left the U.S. Senate in 2013 for work at the American Petroleum Institute (API) where he handled midstream and Alaska upstream issues. In 2014 he moved back to Alaska to open the state chapter of Americans for Prosperity (AFP), an organization that advocates for removing barriers to public lands and resource development opportunities.

MR. PRICE explained that after Governor Dunleavy was elected, he was hired as Deputy Chief of Staff where he acted as liaison with agency commissioners.

He said since becoming public commissioner and chair of AOGCC, his focus has been on protecting underground freshwater sources, owners' rights to recover their resource share, and greater resource recovery through waste recovery and safe drilling practices.

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MR. PRICE stated that this is a critical time for AOGCC. Drilling permit work orders increased to 191 in 2019, a 6 percent increase over 2018. Each drilling application goes through a rigorous process at AOGCC. Experienced geologists, engineers, and inspectors ensure wells are properly cased, cemented, and pressure tested. AOGCC identifies and mitigates potential drilling hazards by ensuring proper blowout prevention is in place with frequent testing and inspections.

He said he would continue the work of his AOGCC predecessors who created the gold standard for regulatory processes. He pointed out that Alaska has one of the lowest flaring rates in the country at 0.3 percent. He added that there are no recorded instances of underwater drinking water contamination from over 2,000 hydraulically fractured wells since 1963. He noted that the recovery rate oil throughout the world averages 15 percent,

but the oil recovery rate in Prudhoe Bay is 50 percent with expectations to achieve 60 percent through 2040.

MR. PRICE explained that under U.S. Environmental Protection Agency (EPA) oversight, AOGCC has successfully administered an underground injection control program for more than 30 years. EPA commended AOGCC in 2019 for its good work in regulating injection wells. While AOGCC has achieved great progress, the commission has much work to do, he said.

He said all oil and gas producing states grapple with countless orphan wells from years of drilling by companies who went bankrupt without undertaking proper plugging and abandonment procedures. The Alaska Division of Legislative Audit recommended in 1991 raising bonds to a level that more closely approximates the average cost to properly plug an abandoned well. However, the regulation remained unchanged until 2019 when AOGCC updated bonding requirements to more closely reflect bankruptcy liabilities. About 99 percent of the Alaska operators have complied with the new bonding requirements.

MR. PRICE pointed out that one of the tasks that Governor Dunleavy put into place upon taking office was to direct all agencies to identify and repeal outdated and unnecessary regulations. He reported that in January 2020, AOGCC repealed seven outdated regulations and will continue to look for additional efficiencies.

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MR. PRICE summarized that since leaving his family electrical construction business 2005, he has tried to represent the interests of Alaskans. He reiterated that Alaska is his home and hopes to raise his family in the state as well. He asked that the committee support his confirmation to continue serving the state as AOGCC chairman.

SENATOR BISHOP asked why he thought he was qualified and what strength he brings to AOGCC.

MR. PRICE answered that his greatest asset is a strong work ethic. He related that since the first day as commissioner he realized he had a lot to learn because his oil and gas experience has been at the federal policy level. He got textbooks from the AOGCC engineers and geologists and has been studying them at night to learn the technical aspects. It's a new experience but one he embraces. He reiterated that work ethic is his strongest asset.

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SENATOR COGHILL asked how his responsibilities as the public member and as chair interact and how he sees the commission going forward under his leadership.

MR. PRICE replied he believes the public member should be the member most attuned to protecting Alaskans' interests in oil and gas development. He said running hearings as chair and doing administrative activities allows the geology and engineering commissioners to delve into the more technical aspects.

He said he expects the commission's workload to increase under his chairmanship. Increased activity would require greater diligence to identify staffing or resource needs when that time comes.

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SENATOR KIEHL asked if his family contracting business has any clients who work in the oil and gas industry.

MR. PRICE answered no.

SENATOR KIEHL asked why he left the governor's administration for AOGCC.

MR. PRICE answered that he had no plans to leave the administration, but he has been very interested in the role of AOGCC commissioner for some time. He said he did not expect the position to open any time soon, but he told the governor of his interest. The move was strictly based on the opportunity that presented itself.

SENATOR KIEHL noted the breadth of his portfolio, including the governor's office and dealing with various state agency issues that could impact the oil and gas industry. He asked what his thought process was since AOGCC has a much narrower focus.

MR. PRICE answered that his career with Congressman Young covered a wide portfolio that included energy, infrastructure, and environment. However, the AOGCC position will provide an opportunity to focus on a narrow scope of issues that he is most passionate about.

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CHAIR MICCICHE read the AOGCC mission statement as follows:

To protect the public's interest in exploration and development of Alaska's valuable oil, gas, and geothermal resources through the application of conservation practices designed to ensure greater ultimate recovery and the protection of health, safety, fresh ground waters and the rights of all owners to recover their share of the resource.

He pointed out that Mr. Price was with API for a couple of years as Federal Relations Manager. He remarked that he was surprised to see a letter of support from PWSRCAC. He noted that Mr. Price worked on requiring dual escort for tug support and asked for further explanation.

He referenced Mr. Price's professional experience and letters of support. He remarked that Mr. Price could not help the "Koch brothers" thing, but the support letters submitted to the committee are from people that he respects and has worked with who are very concerned about responsible development.

MR. PRICE explained that when PWSRCAC came to him and others in the congressional delegation, they said dual-escort tugs for tankers transiting Prince William Sound was industry practice. However, PWSRCAC had concerns that the industry would one day say that one tug was enough. Possible consideration for one tug was something serious enough for PWSRCAC to ask for help from Congressman Young to secure federal legislation to require dual-escort tugs for Prince William Sound. The legislation passed Congress and signed into law by President Obama. He reiterated that responsibly developing Alaska's resources while protecting the environment are not mutually exclusive.

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CHAIR MICCICHE addressed Mr. Price's letter of support from Senator Murkowski and Congressman Young. He noted that the letter referenced the Colville River Bridge and asked for details on the project. He conceded that Mr. Price does not have decades of applicable experience associated with AOGCC but noted that he has done some work recognized in the letters of support.

MR. PRICE explained that ConocoPhillips asked for assistance with the EPA regulations regarding Section 404 in the Clean Water Act (CWA). Section 404 regulates the discharge of dredged or fill materials into waters. The U.S. Army Corps of Engineers (USACE) determined that a buried pipeline would be less damaging alternative to the environment than a bridge. He said he worked hard on the issue with other individuals at the federal level

that eventually led to USACE agreeing with the Colville River Bridge alternative.

He said the bridge project is an example of a common bureaucracy occurrence where federal agencies do not understand all facets of an issue. He said he facilitated the role of ensuring all truths are on the table.

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CHAIR MICCICHE opened public testimony.

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DAN SEAMOUNT, Geologic Commissioner, Alaska Oil and Gas Conservation Commission, Alaska Department of Commerce, Community, and Economic Development, Anchorage, Alaska, testified in support of Mr. Price's appointment. He detailed that he has been commissioner for over 20 years and worked with 12 to 16 commissioners at AOGCC. He said Mr. Price has the greatest potential of any commissioner he has worked with. He noted that the legislature did change the qualifications statute for the AOGCC public member where the appointee must have an innate knowledge of the oil and gas industry.

SENATOR REVAK asked if Mr. Price's federal or legal experience will play any role in his appointment.

COMMISSIONER SEAMOUNT replied that he cannot comment on Mr. Price's experience in Washington, D.C., but his work for API involved oil and gas. He noted that Mr. Price puts in his hours at AOGCC, works late, works weekends, and is serious about his job. He said Mr. Price brings a lot to the table with his knowledge of regulations and statutes.

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CHAIR MICCICHE said a key requirement is for the three-person commission to learn to work together productively even when they disagree. He asked, in the short time Mr. Price has been at AOGCC, if he had exhibited organizational skills that can carry forward.

COMMISSIONER SEAMOUNT answered that they work together very well. He noted that there was one point where Mr. Price was not in total agreement with the new bonding regulations. After further explanation and after all the facts were presented, Mr. Price changed his mind. He shows flexibility so the commission can reach consensus.

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CHAIR MICCICHE found no one else who wished to testify [and public testimony was closed.]

SENATOR COGHILL moved to advance the appointment to a joint session for consideration:

Alaska Oil and Gas Conservation Commission
Jeremy Price - Anchorage

CHAIR MICCICHE asked if there were any objections.

SENATOR GIESSEL said there is no need for a motion, the committee must simply sign the report.

SENATOR COGHILL said the committee may advance the appointment either way.

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

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There being no further business to come before the committee, Chair Micciche adjourned the Senate Resources Standing Committee meeting at 3:55 p.m.