

ALASKA LEGISLATURE COMMITTEE FILES, 2003-2006 DO/2

11568 HOUSE RESOURCES

Brandon Maitlen

From: Rick Fleischman [Capt-Rick@soundsal...com]

Sent: Thursday, March 03, 2005 4:46 PM

To: Rep. Jay Ramras; Rep. Ralph Samuels; Rep. Jim Elkins; Rep. Carl Gatto; Rep. Gabrielle LeDoux; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Harry Crawford; Rep. Mary Kapsner; Rep. Peggy Wilson; Sen. Bert Stedman

Subject: Insightfull, New look ,HB 130

Kill Bill 130

Co-chairs Ramras and Samuels and Committee Members,

I hope to testify at your hearing tomorrow on HB 130 but suspect there will be a long line and our cell coverage here in the bay is sometimes weak. To ensure that you don't have to suffer the indignity of not hearing my testimony I will email this as well.

Movie producer Quentin Tarantino should film his next sequel here in Alaska—"Kill Bill 130".

During Wednesday's House Resource meeting Chairman Ramras characterized opposition to the bill as complaints by "people who don't want to pay for it but don't want others to have it". This is simply not true. The public concern is that several inappropriate parcels of land will be transferred to the University of Alaska in this bill. The community of Baranof is not anti-development. Lots are available for sale in the townsite and new property owners have building plans for the near future.

There was no opportunity for public input into the selection of lands to be transferred. The governor did not consult the affected communities when he put this bill together. Discussions between DNR and the University were not open to the public. I commend your committee for taking the only public testimony on the bill. I calculate the total time allotted for public comments as 83/1000 of a second per acre (and that includes time for potty breaks).

Chairman Ramras has taken pains to describe the University as a kind, understanding landlord and steward for the public good. The time for the warm and fuzzy university property managers to discuss their plans for our communities is now—before the state transfers ownership to them and they become the 800-pound hairy gorilla (with bad breath). The 276-acre parcel here in Baranof will engulf the 20-acre townsite. There has been no opportunity for community concerns to be heard and answered regarding water quality, damage to our fragile hot springs, and development around the salt chuck.

In 2002 DNR spent time and money developing its Area Land Plan. The land to be transferred in Warm Springs Bay is classified as "RU". "RU" (not to be confused with FUBAR) is defined by DNR as "Public Recreation and Tourism Undeveloped". The management intent, as the plan states for the land in question, is "to be retained by the state and managed to protect the warm springs, maintain the natural resources/scenic value of the parcel, and ensure continuation of its use for dispersed recreation".

DNR spokesman Bob Loeffler testified to the committee that all lands in SE selected for the transfer are classified for development. This is not the case in Baranof. The state did a

multi-year Area Land Plan utilizing public input and concluded in 2002 that this property should be preserved by the state for undeveloped public recreation. Three years into the 20-year plan the governor announces, with no advance warning or public input, that the same land is now a perfect piece to grant to the University for "development". Loeffler further testified that the carefully studied intents and classification of the 2002 Area Land Plan will no longer apply upon the land's transfer to the University.

The process by which this land-grab bill has evolved is shameful. It evokes images of shady wheelers and dealers in dark, smoke-filled rooms, drawing and redrawing lines on maps with no regard to established communities, public opinion, and in the case of Baranof, contradicting the state's own management intent.

The Sitka Assembly voted unanimously to oppose HB 130, which transfers large areas within the borough of Sitka to the University. The public testimony heard by the House Resource Committee has been unanimously opposed to the bill. Other citizens are protesting just as vigorously about problems this bill will cause in their communities and recreational areas. I urge the House Resources Committee to seriously consider the public opposition to this bill. House Bill 130 must be modified extensively so that the public maintains some control of the public land in their communities. At a minimum, the parcels of land classed as RU should not be included with the transfer.

Thank you for your time!

Rick Fleischman
1802 B Alder Way
Sitka, AK 99835
(907) 747-7473

Capt-Rick@soundsailing.com

Note: I am currently caretaking at the Baranof Wilderness Lodge in Warm Springs bay and can be reached by cell phone at (206) 605-8363.



Alaska Trollers Association

130 Seward St., No. 211
Juneau, Alaska 99801
(907) 586-9400
(907) 586-4473 Fax

February 20, 2005

Chairman Jay Ramras
Chairman Ralph Samuels
House Resources Committee
State Capitol Building
Juneau, AK 99801

Dear Representative Ramras and Representative Samuels:

The Alaska Trollers Association strongly opposes the transfer of the Neets Creek parcel, KT.1004, from Alaska Department of Natural Resources to the University of Alaska Board of Regents under HB 130.

Development of the lands at Neets Creek, which have been nominated for transfer to the University of Alaska, could negatively impact hatchery operations that are dependent on this watershed for incubation and rearing of salmon. Our fear is a degradation of water quality and quantity, both which are essential to maintaining a healthy hatchery program.

Southern Southeast Alaska Aquaculture Association (SSRAA) is a regional aquaculture corporation funded through a 3% enhancement tax paid by commercial salmon fishermen. SSRAA currently operates the Neets Bay Hatchery, which has a long and distinguished record of producing high value salmon returns for both commercial and sport salmon fishermen throughout the Southeast region. The commercial troll fleet, from Yakutat to Ketchikan, derives significant benefit from the salmon produced at Neets Bay hatchery.

ATA feels strongly that the benefits accrued from the salmon produced at the Neets Bay Hatchery far outweigh the risks that could be associated with new development in the vital Neets Creek watershed. We would appreciate your support to retain Neets Creek parcel KT.1004 under state ownership.

Sincerely,

Dale Kelley
Executive Director

John H. Littlefield
POB 2212
4102 Halibut Point Road
Sitka, AK 99835
907-747-6866 voice
907-738-6866 cell

Co-Chair Representative Ramras
House Resources Committee

Re: HB130

Dear Representative Ramras,

I will be traveling tomorrow, and will be unable to testify on House bill 130 however, I do want my remarks noted for the record.

The Littlefield family is the owner of a certified 160 acre native allotment on Lisianski Peninsula near Sitka. It seems certain that developing the Lisianski Peninsula will increase our property value. While that seems like good news, it is at best a mixed blessing. As have many, many residents testified against this bill, I think I need to add my voice to the committee process as well. City and Borough of Sitka Assembly member, Doris Bailey, has adequately expressed my concerns with the land transfers around Lisianski Peninsula and Sitka from a personal basis. I submit these additional comments more as a matter of process. I have expressed some of these thoughts to my legislators, Peggy Wilson, and Bert Steedman.

1. I support the University of Alaska, and believe most Alaskans share that opinion.
2. I support the State of Alaska's efforts to make land available to the public.
3. I believe in a transparent public process, to accomplish both of these items as well as other work of the people.

House Bill 130 has combined two distinct items into a single action. I believe the actions should be debated on their merits separately. I believe that most Alaskans support the University and if they don't they should. If long-term funding for the University is our goal, then we should investigate ALL funding options. House Bill 130 has identified a problem, long-term funding of the University, and selected granting highly questionable parcels of land to the University as the only solution. The problem and solution in this case are not necessarily compatible or desirable to many.

All Alaskans should share in the burden of funding the University. I have several suggestions on how they could do that and I'm sure there are others.

1. We don't have to look much farther than the permanent fund for a long-term funding solution to many of the University's needs. My last information indicated there was about \$30 billion in the permanent fund. I am not an accountant, but I would suggest that an endowment to the University of approximately \$500 million would go a long way toward ensuring economic stability for the University. The University's annual income would of course, vary by the amount of the endowment, but this amount would dwarf the existing endowment fund and generate real dollars immediately for the University. The exact amount of the necessary endowment could easily be calculated by an accountant. I realize that many other Universities have several billions of dollars in their endowments. We'll get there one of these days and much faster if we jump start the endowment with a large cash infusion.

2. Secondly, I would recommend that lands granted to the University should be selected from the North Slope or other areas where the likelihood of getting long-term returns from gas, oil, or minerals is very likely. The University needs annual income. Returns from gas, oil, and minerals can provide that for many years. All Alaskans together owned the State lands. But there's a great difference between lands that are valuable for mineral, gas, and oil development and remotely located and lands that are similar, but close to existing communities. Land selections near existing communities, disproportionately affect the local citizens more so than the rest of the State residents. Much of the lands that have been selected in Southeast have little value to the University other than the income that would be derived from a sale. The sales would generate a one-time deposit to the University's endowment fund and will not generate annual income. It will also generate a great amount of dissatisfaction from the local residents.

3. There is a process already in place to get land to the University. These programs are subject to public scrutiny at this time. This is the preferred method to dispose of public lands. It may take a little longer, but the public is better served when everyone has their input in the final decisions are made. If the University owns these lands they will not have to answer to the public when they dispose of these lands. In fact, as a private owner, the University could completely pave over all of these lands if they wished. Sound preposterous? Probably so, but we have no guaranty they won't. Remember that the solutions to the long term funding of the University are just that, long-term. They do not need to be solved today. Further the legislature could direct the DNR to speed up the existing process while still honoring the public process.

What would I like you to do? I would like you to simply kill or table this bill. It is not so timely, that the funding issues cannot be fully debated and the full range of alternatives presented for discussion. A new bill (or several) could easily address these issues.

Thank you for your consideration,

John H. Lutieneid
907-738-6866

Brandon Maitlen

From: Tom Paul / Jan Caulfield [tomjan@gci.net]
Sent: Wednesday, March 02, 2005 9:52 PM
To: Rep. Jay Ramras
Subject: HB 130 Univ. Lands bill

Dear Representative Ramras,

I am writing to ask you to oppose House Bill 130, "University Land Grant/State Forest" and the companion SB 96 in their current form. I am a former city clerk, city council member, and mayor of Port Alexander and although I live in Juneau now, I have owned property in Port Alexander for 30 years.

This bill could have been a very positive solution to the funding needs of the University, and one that may have been well-received throughout the state. But the current version only creates animosity toward the University and the State and does not achieve its purpose.

I will address the bill's problems specifically in regard to Port Alexander, but from the breadth of opposition this bill has generated, I am sure these points apply to other communities as well. The bill suffers from:

- 1) Undemocratic public process with little or no public notice and a "fast track" approach to legislation. Even though you (the Legislature) have been conducting open public hearings on this legislation, a few days or weeks of legislative hearings in Juneau does not substitute for full public notice and debate, and the involvement of communities. I fear small communities especially, may not get consideration equal to the larger communities like Kodiak or Ketchikan who have legislators who live in the community.
- 2) Shoddy preliminary work, if any, by DNR and the University of Alaska to determine if the lands designated by the bill actually meet the university's needs – For example: including a portion of Port Alexander's community watershed in designated lands, as well as low-value, poorly accessible muskeg, and land extremely important to local citizen's recreation and subsistence use. DNR's designation of land in a "development" category is no guarantee that it is suitable for development, and does not mean that the community agreed with DNR's classification during the area plan process. Port Alexander's waterline and other water supply structures were in place long before DNR selected the land from the Forest Service for "community expansion". This is simply poor planning on the part of DNR.
- 3) A seeming disregard for the effect of the lands transfer on individual communities and the compatibility of the ultimate uses of the University land to the communities' Comprehensive Plans – For example: the 250+ acres designated for transfer in Port Alexander are double the size of the existing community footprint. Other communities like Thoms Place would be even more subsumed by the transfer of thousands of acres of surrounding land to the University. One can only imagine the hard-hearted cynicism that those in the administration must have in designing this bill, knowing that many of the timbered lands proposed for transfer in Southeast Alaska adjacent to communities (whole hillsides surrounding Thoms Place, Pelican, Baranof Warm Springs, and possibly Tenakee Springs) will likely be logged by the University or its surrogates to generate income.

While it is no secret, or sin, that this administration and many other Alaskans champion exploitation of more resources, it seems that in a state this size that could be achieved without purposely trashing someone's viewshed or transforming a community's character against the will of its citizens. I wonder, would you welcome clearcuts around your remote residence? Port Alexander and other remote communities are inhabited by people who purposely choose to live in minimally developed areas. Undoubtedly there are some communities, founded and still existing on logging and other resource exploitation, that may indeed welcome such activity. If so, then those are the ones where University land disposals should be concentrated.

- 4) Few protections for the communities - Despite assurances, the University has no obligation to work with the communities when developing or disposing of these lands. Like the Mental Health Trust lands, University lands are intended to provide income. With profit paramount, all other considerations and good intentions typically fall by the wayside. Towns or unincorporated communities without zoning authority are particularly vulnerable.

I believe that a similar bill could be designed that does not threaten the character or environment of communities, and that does not make the University and the citizens of much of the state, immediate (and possibly permanent) adversaries. But such a bill would require time and dedication to a thorough, open, and inclusive process. HB 130 and SB 96 were not developed with that process, but by the administration behind closed doors.

The proper way to develop this bill and engage the public in an open and democratic process would have been for the Dept. of Natural Resources and the University to first approach communities with lands being considered for transfer and ask if they supported the transfer of all or part of those lands. Not all communities in Alaska are alike. Some like Coffman Cove (and many Southcentral Alaska communities) are supportive of University land ownership in their community, whereas some, like Port Alexander, Thoms Place, Tenakee Springs, Warm Springs and Pelican, are against it. Oftentimes a simple review of a community's Comprehensive Plan would indicate whether or not there is compatibility. Why not concentrate University land selections in and around those communities that are supportive? For instance, why not switch contentious lands in Southeast Alaska for those in Southcentral Alaska which would likely be more welcomed by the populace? Or allow selection of current State Forest lands where logging is already approved. It seems to me that if you force citizens of communities into a relationship they do not want to have and on terms that offend them, you sow the seeds of long-lived antagonism and create a potential for lawsuits and other opposition.

The Legislature needs to be more open to changing this bill to improve it. In the face of overwhelming opposition by many communities who are affected, the Legislature should not simply be satisfied to "shine the light" on a bad bill and pass it anyway without substantive changes. I ask you to work for the people and not simply for the administration and University. Please remove from this bill the lands in Port Alexander, Baranof Warm Springs, Tenakee, Pelican, Thoms Place, and other communities where there is overwhelming objection and substitute other lands elsewhere for them.

Thank you for your public service and for the opportunity to comment.

Sincerely,

Tom Paul, 525 W 9th St., Juneau, Alaska 99801

And: 2 Rue de Bearhunter, Port Alexander, AK 99836

Melinda Hofstad
PO Box 1030
Petersburg, Alaska 99833

907-772-3880

Facimile

To: Rep. Jim Elkins
From: Melinda Hofstad
Date: February 27, 2005
Re: HB 130
Pages: (12) including cover

**PLEASE MAKE SURE REP. ELKINS HAS THIS BEFORE THE
WEDNESDAY RESOURCES COMMITTEE MEETING ON HB 130**

Jim, This was given to my by Paul Anderson of the Petersburg City Council today. This is from Paul Schonenbach, who just retired as the 5 year SE Regional Land Manager of DNR. He was the one in charge of the DNR's Area Plans. This is really the heart of the problem with HB 130, very good information. Please help us get Baranof out of this legislation. Thanks, Melinda

Jim - I also included some
other excellent points.
My understanding is Baranof
is still in - please help us get
it out before it leaves Resources.
Melinda Peggy will be
there too!

TO CITY MANAGER
CITY COUNCIL

Stacy Klittams

From: Ron and Nan Schonenbach [ronnan@gci.net]
Sent: Wednesday, February 23, 2005 4:40 PM
To: clerk@gustavus-ak.gov; mayor@gustavus-ak.gov; jbozzi@haines.ak.us; jmedina@hoonah.net;
 city_clerk@ci.juneau.ak.us; mgr@borough.ketchikan.ak.us; clerk@ci.petersburg.ak.us;
 saxcity@aptalaska.net; saxman_city_clerk@yahoo.com; colleen@cityofsitka.com;
 darysodd@aolcom.gci.net; cityclerk@aptalaska.net; clyman@starband.net; yakclerk@starband.net;
 mayor@city.ketchikan.ak.us; m.harris@skagway.org; cityofb@aptalaska.net
Subject: SB 96/HB 130 University Land Bill

Hello,

Based on the testimony which this bill has received there are certainly some land ownership issues for SE communities to consider. The last 25 years I worked for DNR and the last five years I served as the SE Regional Land Manager for the Div. of Mining, Land and Water so I am very familiar with land boundaries and DNR Area Plans. I am pleased to have worked with many individuals from all the communities over the years.

The legislation which the governor introduced has high impacts on SE and I clearly do not believe the communities are served by this bill. I have attached the letter I recently sent to Rep. Jay Ramras which states my viewpoints. The governor, DNR and the U of A are working on a revision based on testimony. The bill will be back for testimony on March 2. If your community is involved then please contact the gov. office or your representative. The maps are available for viewing on the DNR website. Proposed land is within or near the communities of Haines, Juneau, Pelican, Tenakee, Sitka, Petersburg, Wrangell, Coffman, Thome Bay, and Ketchikan.

Any support you can give to change the bill and reduce land in SE, particularly land classified Settlement, Public Recreation or Wildlife Habitat would be appreciated. Please email or call (789-2028) if you have any questions.

Thanks, Ron Schonenbach

copy

February 19, 2005

Representative Jay Ramras
State Capitol, Room 104
Juneau, Alaska 99811

Re: SB 96/HB 130 University Land Bill

Dear Representative Ramras,

After reviewing the maps contained in the University of Alaska Land Grant List of 2005 I'm not surprised to see why there is so much controversy from individuals and communities. Last year I retired from DNR after working as a land manager for 25 years within the SE Regional Office. Having been involved with the selection of these lands from the Tongass National Forest I have an intimate knowledge of DNR's land base in Southeast. I wish to point out some issues for your consideration.

DNR and the University have worked very closely to come up with a statewide list of parcels at the Governor's request. SB 7 from 2000 is clearly flawed and SB96/HB 130 is an attempt to fix the legislation by generating a specific list of parcels. This approach is reasonable but the parcel list must be altered to serve the public's need.

The current list contains 44 southeast properties (40,114 acres) scattered from Ketchikan to Juneau that from a geographic standpoint will be costly to manage. The list encompasses land for settlement, general use and public recreation as identified in DNR's Area Plans.

Observations

- > The assumption that land will generate substantial money to fund University programs is flawed. DNR has already sold the most desirable land in southeast and the land pool has also been further reduced by land conveyances to the municipalities, the first settlement agreement to the University and to the Mental Health Trust Land Office. An endowment fund or appropriation is a more sensible way to achieve financial stability along with legislation that conveys a smaller land base.
- > DNR's Area Plans undergo intense public scrutiny during a two-year development process. The commissioner's approval of these plans provides classification and management intent for state land. DNR should focus on selling Settlement land for their land disposal programs that have received additional legislative funding in recent years. Additionally, Public Recreation lands should not be part of the land package as these lands have unique public values. Once conveyed to the University the Public Recreation classification becomes meaningless and the public who was assured by DNR that the land would be used for public recreation purposes is betrayed and public trust and confidence in DNR is eroded. One example is the 1,358 acres at Lynn Canal, more commonly called Lynn Sisters. This parcel is classified as

Baranof Warm Springs is one of these. It's land use classification is "R1" - recreation undeveloped - 2002 S.E. Area plan

Public Recreation and is identified as a future State Marine Park. This land would complement St. James Bay State Marine Park a few miles to the north that is heavily used and has a great public use cabin. There are also several parcels that have a Wildlife Habitat classification along with either Settlement or General Use. DNR should continue to hold all Wildlife Habitat lands.

By regulation DNR can only sell land classified as Settlement whereas the classifications have no relevance upon conveyance to the University. Less than 5% of the land is classified Settlement and even a smaller percentage is truly developable after accounting for steep terrain, muskeg and anadromous streams. While DNR has not included any Settlement lands proposed for sale within the next five years, they can ill afford the loss of any Settlement land if the legislature desires DNR to continue with a long-term land disposal program.

- **Removal of Selected Land** Harris River Junction (320 acres) should not be under consideration as the Commissioner's approval of the Prince of Wales Island Area Plan concurred with the relinquishment of this selection. This selection as well as several others are only selected and have not been conveyed from the federal government.
- **Maps in the Land Grant List** In some cases the parcel encompasses all of the state land in a specific area. In over 50% of the cases, the parcel represents only that land in the pool and gives no recognition to adjacent private or remaining state land. The legislature and the public cannot evaluate or visualize these fragmented ownership patterns without seeing adjacent private and state lands. A look at these maps leads one to believe that all surrounding land is Tongass National Forest, that is not the case. A good example is Thorne Bay containing four separate tracts of 2,557 acres. This map does not aid in understanding fractured ownership boundaries that will occur. The problem is compounded by the fact that DNR will issue a quitclaim deed for the land; this action does not require a land survey on the ground.
- **Acreage** The 250-260,000 acre figure has been tossed around for years. While the University obviously wants the maximum acreage possible there is no reason that the Governor cannot reduce this acreage and remove from the pool the controversial parcels or select additional parcels if parcels must be dropped and the 260,000 acre figure maintained. Due to controversy surrounding this legislation there is no compelling reason to fast track this bill.

Recommendations

- Remove from the pool all land classified Settlement, Public Recreation and Wildlife Habitat. Settlement lands are essential for DNR to continue with their land disposal program. Public Recreation and Wildlife Habitat lands are identified for specific, unique values and must continue to be managed by DNR. Elimination of these lands will aid the University by having fewer scattered parcels to manage.

*Baranof
Warm Springs*

- Remove from the pool land approved for relinquishment and land selected but not yet conveyed.
- Request that DNR produce a corrected set of maps showing state and private land surrounding the selected parcels.

I would appreciate your efforts to consider these revisions and to share my letter with other committee members. Please contact me if you wish to discuss any of the issues.

Sincerely,

Ron Schonenbach

16435A Pt. Lena Loop Road, Juneau 99801

789-2028

cc: Governor Murkowski
Commissioner Tom Irwin

Matthew Gruening
716 N Nordic Drive
Petersburg, Alaska 88933

March 1, 2005

Re: HB 130

Dear House Resources Committee:

The proposed land transfer in Baranof Warm Springs Bay directly undermines the existing DNR 2002 Northern SE Area Land Plan. This plan was the result of years of public planning, hearings, scientific studies, on-site visits to areas throughout SE Alaska, as well as hundred's of thousand's of precious state dollars. This comprehensive plan states that it shall be in effect for 20 years (until 2022). In this plan, the Baranof transfer in HB 130 is classified as "RU".

"RU" classification is "Public Recreation and Tourism Undeveloped: May be conveyed to Municipalities depending on the units management intent and the relative value of the recreation resources for which the unit was designated. These lands cannot be sold to individuals"

Management Intent:

Parcel B-32: "to be retained by the state and managed to protect the Warm Springs, maintain the natural resources/scenic value of the parcel, and ensure continuation of it's use for dispersed recreation."


DNR parcel B-33: "to be retained by the state and managed to protect the Salt lagoon, maintain the natural resources/scenic values of the parcel, and ensure continuation of it's use for dispersed recreation"

These 2 parcels are the majority of the proposed land transfer in Baranof Warm Springs included in HB 130. The remainder of the transfer is our public drinking water shed.

All bolded quotes, Northern SE Area Land Plan 2002

Please members of the Resource Committee, remove Baranof Warm Springs from this bill. It should have never been in this legislation in the first place. This makes a mockery out of DNR Land Use Plans which you, the Legislature, have funded and supported. Thank you.

Respectfully,


Matthew Gruening



NATHAN GRUENING
PO BOX 1030
PETERSBURG, ALASKA 99833

February 18, 2005

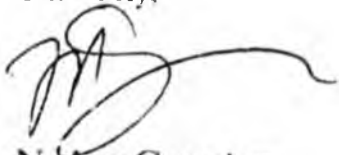
Dear Rep Elkins

I have lived for half of the year for my entire life (26 years) in Baranof Warm Springs Bay. I request that you remove Baranof from HB 130.

You have heard from others many reasons why and I will not repeat them. But you have not heard that the proposed land exchange at the top of Baranof River and Baranof Lake is our community drinking source. I for one do not want to drink water that has been gathered from below human sewage.

Please do not allow our water shed to be polluted. Remove the Baranof selection from HB 130.

Sincerely,



Nathan Gruening



March 1, 2005

Christine Lundstedt
479 Katlian Street
Sitka, Alaska

Copy

<

>

Representative Gabrielle LeDoux
State Capitol Building
Juneau, Alaska

Dear Representative LeDoux,

This letter is to urge you to drop Baranof -Warm Springs Bay from HB130.

There are pressing and concrete reasons why Baranof Warm Springs should be excluded .

Tourism:

Baranof presently is already a very high use area, and a regular full day stop on the itinerary of all cruisers and commercial tour vessels in Southeast. No matter how glutted visitors are on Southeast beauty they always comment Warm Springs Bay is a jewel in a class of its own. At the Baranof General Store (I own it, my daughters run it) which is the de facto tourist information office, we hear this all day every day and began keeping a log of the commercial cruise boats last summer and discovered we are a very high use destination indeed with thousands of visitors every season. Of our state,s top three

industries, tourism today is the one with the most nearly unlimited potential. Visitors are thrilled by the pristine nature of Warm Springs Bay. Development, roads, buildings, ferry terminals in this wonderful bay would be a grim anachronism and a death knell for the bay as a destination and we certainly seem to have value in the Southeast tourism picture. This pristine beauty, the very reason people come to Alaska, is something you cannot create but it certainly is something easily destroyed and impossible to get back ever again. The lands bill is written in defiance of a lengthy and thoroughly researched conclusion DNR came to in their extensive report only two years ago that the precise lands included in the proposed University Grant should never be developed but preserved for the existing and continued high level of public recreational use. And DNR noted the great majority of the parcel in question is impossible to build on. Some ears have evidently been boxed at DNR to produce the lands bill with a straight face.

The no strings development the University land grant opens us up means the destruction of the very real and rich culture of a century old Alaskan townsite and its well demonstrated strong appeal for visitors. If they, and we, see paved roads, ferry terminals, all the development that is suddenly proposed for this bay and town visitors and homeowners hearts will sink and we surely will be dropped from tourism itineraries like a hot rock.

Baranof Water Supply:

Baranof depends completely on Baranof Lake and River for its fresh water. It is the present undisturbed natural terrain

that assures us of the clean and pure water we now have.

As the selected lands are non-percolating the massive disturbance caused by construction along the east end and south shore of Baranof Lake and River will create filthy water as sediments and pollutants wash directly into the river and our drinking water. In fact it is impossible to redirect waste water and everything it will carry anywhere else but the lake and river. Fish and Game will tell you the river and lake are superb cut throat trout habitat highly prized by fishermen, and it is a world class destination for fly fishermen the bay, s wonderful Baranof Wilderness Lodge in particular caters to. Disturbance of muskeg creates a quagmire that will never resolve with ongoing use of these fragile areas. The fouling of the water will increase exponentially with additional construction of buildings and their use. We ask the House Resources Committee to exclude the Baranof-Warm Springs Bay lands from the selection to protect our only source of safe and clean water and the high levels of use of our lake and river provide.

Please consult a map and notice how very close together these resources are grouped. Destroy one, destroy them all.

Baranof Hot Springs:

The hot springs between Baranof Lake and townsite are a legend in themselves, and supply hot water to homeowners and to the thousands of visitors to Warm Springs Bay. The City and Borough of Sitka has participated in the construction of a public bath house in Baranof that is enjoyed by thousands every year. Also there is a very substantial complex of natural hot mineral water pools in

the rain forest right alongside the Baranof River that is utterly spectacular. These pools have long been and continue to be described in superlatives in countless travel books, periodicals, current and ancient cruising atlases, and commercial cruise ships themselves include pictures and text in their advertising literature to tell potential clients they are in for something very special indeed when they arrive at Baranof in Warm Springs Bay for a soak in their famous hot springs. These hot springs come from deep beneath the earth's mantle to the surface in extensive serpentine fissures that in the case of Tenakee are intelligently protected by blasting prohibitions. Tenakee has an ordinance prohibiting blasting anywhere within a 20 mile radius of the townsite in order to protect their one small spring. Baranof has nine primary fissures and springs in quite a close grouping used by many times more people than in Tenakee that richly deserve protection.

Certain of our springs are clearly quite unstable, delivering a substantial flow for a period (of months) and only a trickle the next. Our Sitka Assembly is presently working on an ordinance that will prohibit blasting within the most reasonable radius in order to preserve these wonderful springs that are a treasure for so many people.

Seismic Activity:

The 267 acres selected for the lands bill are identical with the land identified for most costly, and one of the most popularly reviled preliminary ferry terminal SATP plans. With specific regard to the cross-island road to Baranof,, a major east-west fault runs directly alongside and just to

the north of the proposed road bed. Furthermore, the fault is in an area of Baranof Island itself categorized as being at particularly high risk of seismic activity. For one, I feel pretty convinced that spending more than 100-million dollars to build such a road could instead buy a fleet of good smaller ferries with a turn of speed, as well as a little dredging and widening in Sergius Narrows. Then we will truly have a highly effective, flexible and vastly more affordable system that will realistically incorporate Sitka into the Southeast transportation grid.

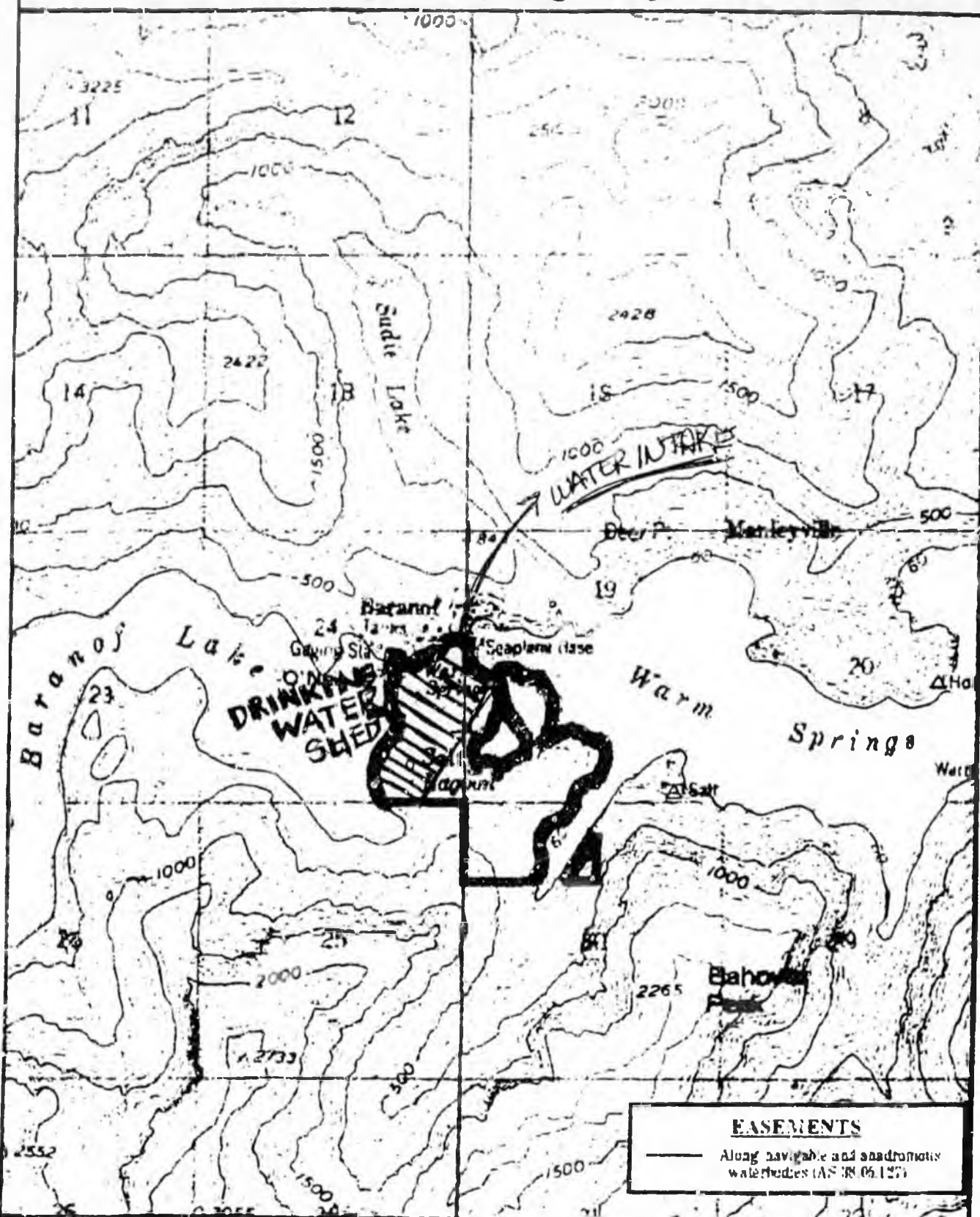
Thank you for your attention in a matter that carries such broad and long term consequences for the financial, commercial, and cultural health of our state. Again we urge you to drop the 267 acres in Warm Springs Bay from any form of HB130.

Best regards,

Christine Lundstedt
Sarah Lundstedt
Dana Lundstedt
(registered Alaska voters all)

Warm Springs Bay

ST.1002



Prepared by: DNR
Source USGS Mt. Sitka A 3
Date: 12 2004

one mile

Meridian	Township	Range
CRM	55	66-67E

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
DIVISION OF PUBLIC SERVICES

PETERSBURG LEGISLATIVE INFORMATION OFFICE

PHONE: 772-3741

FAX: 772-3779

FAX TRANSMISSION

TO: Rep. Jay Rampeas

FAX: 465 2070

DATE: 3/1/05 ~~4/1/05~~

MESSAGE: 12 pgs. to follow

Letters from public on HB130

Thank you -

Matthew Gruening
716 N Nordic Drive
Petersburg, Alaska 88933

March 1, 2005

Re: HB 130

Dear House Resources Committee:

The proposed land transfer in Baranof Warm Springs Bay directly undermines the existing DNR 2002 Northern SE Area Land Plan. This plan was the result of years of public planning, hearings, scientific studies, on-site visits to areas throughout SE Alaska, as well as hundred's of thousand's of precious state dollars. This comprehensive plan states that it shall be in effect for 20 years (until 2022). In this plan, the Baranof transfer in HB 130 is classified as "RU".

"RU" classification is "Public Recreation and Tourism Undeveloped; May be conveyed to Municipality depending on the units management intent and the relative value of the recreational resources for which the unit was designated. These lands cannot be sold to individuals"

Management Intent:

Parcel B-32: "to be retained by the state and managed to protect the Warm Springs, maintain the natural resources/scenic value of the parcel, and ensure continuation of it's use for dispersed recreation."

DNR parcel B-33: "to be retained by the state and managed to protect the Salt lagoon, maintain the natural resources/scenic values of the parcel, and ensure continuation of it's use for dispersed recreation"

These 2 parcels are the majority of the proposed land transfer in Baranof Warm Springs included in HB 130. The remainder of the transfer is our public drinking water shed.

All bolded quotes, Northern SE Area Land Plan 2002

Please members of the Resource Committee, remove Baranof Warm Springs from this bill. It should have never been in this legislation in the first place. This makes a mockery out of DNR Land Use Plans which you, the Legislature, have funded and supported. Thank you.

Respectfully,


Matthew Gruening





217 Second Street, Suite 200 • Juneau, Alaska 99801
Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

February 28, 2005

House Resources
Representative Jay Ramras
State Capitol
Room 104
Juneau, Alaska 99801

RE: University Land Bill (HB130)

Dear Representative Ramras,

As Co-Chairs of the Alaska Municipal League Land Use Subcommittee, we are concerned with some aspects of HB130, the impacts it may have on communities and the short time allowed to review land selections.

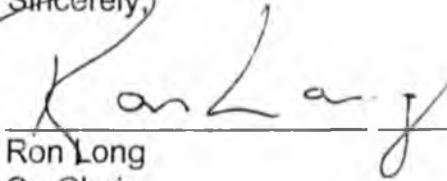
We have questions, posed by some of our members, that we feel need to be addressed before movement is seen on this bill.

- Does the University have staff with expertise to "encourage the development of in-state, value-added industries?" Who will define what constitutes a "value-added" industry or project? Would communities adjacent to these lands have input on these industries, as they might substantially impact local private business? Would these industries or other development on the selected lands be exempt from current area use plans and zoning regulations?
- What criteria were used for the land selection process? If this land is the "best" available in the area, is this not a "disincentive" for borough formation?
- What kind of process will be in place regarding leases and permits and will this process differ from DNR's?
- As the list of site selections was arrived at on January 12th of 2005, was there a reason why notice was not given until February 7th, 2005? When DNR and/or CZM have permits pending in an area, a notice and map is sent to affected municipalities. Could the same process not have been followed in this case?
- How will lease/permit renewals be handled? Will they even be possible? Will there be fees and how will they be set?
- In the ten years between conveyance and reconveyance of sites with archaeological and/or historic sites, how will those sites be protected in compliance with federal law?
- Who will be paying the selection, platting, surveying and conveyance costs of these transactions?

- Will current guidelines required through the Forest Practices Act be applicable to land set aside for timber research purposes?

There may be instances where some of these site selections are beneficial to communities. However, we would ask that ample time be given to communities to address these selections and how they fit in with current community plans. We thank you for the opportunity to comment.

Sincerely,



Ron Long
Co-Chair
AML Land Use Subcommittee



Mike Catsi
Co-Chair
AML Land Use Subcommittee

cc:

Representative Peggy Wilson
Representative Bill Thomas
Representative Gabrielle LeDoux
Representative Jim Elkins
Representative Paul Seaton
Representative Ralph Samuels
Representative Carl Gatto
Representative Kurt Olson
Representative Harry Crawford
Representative Mary Kapsner

HB

142

HB 142

FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US

P.O. BOX 110001
JUNEAU, ALASKA 99811-0001
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WWW.GOV.STATE.AK.US

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 10, 2005

The Honorable John Harris
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Harris:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the regulation of underground injection under the federal Safe Drinking Water Act. This bill would enable the Alaska Oil and Gas Conservation Commission (AOGCC) to regulate all underground injection wells used in the oil and gas industry, in contrast to the current situation under which the AOGCC regulates most of these wells but the United States Environmental Protection Agency (EPA) regulates others.

Under the federal Safe Drinking Water Act of 1974, 42 U.S.C. 300f - 300j-26, the underground injection of waste or other fluids requires an EPA permit, unless the EPA has approved a state underground injection control program as meeting Safe Drinking Water Act standards. In 1986, the EPA approved Alaska's underground injection program for a subset of underground injection wells, known as Class II wells. Class II wells inject certain fluids related to the recovery and production of oil and natural gas. The AOGCC administers this program. However, the EPA continues to regulate other types of injection wells in Alaska, including Class I wells, which are used in the oil and gas industry to dispose of wastes that do not go into Class II wells. I believe that the time has come for authority over all underground injection relating to oil and gas operations to return to the state.

This action would have several benefits for the state and the industry. First, the AOGCC is generally able to respond more quickly to permit applications than is the EPA. Second, having a single, uniform process for regulating underground injection by the industry will improve efficiency and reduce confusion. Finally, there has been considerable uncertainty over, and considerable agency time and effort devoted to, the question of when a Class II well is appropriate for waste disposal and when a Class I well is required, and

The Honorable John Harris
February 10, 2005
Page 2

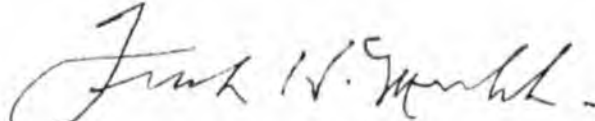
this question will likely become much less important with a single agency exercising authority over both classes of wells.

Under the bill that I am proposing, the AOGCC would have the authority to take all actions necessary to allow the state to acquire primary enforcement responsibility for Class I injection wells, in addition to continuing its current regulation of Class II wells. While the definition of Class I wells covers broad categories of industrial and municipal wastes in certain circumstances, in practice Class I wells in Alaska have been used only in the oil and gas industry, to accommodate wastes not allowed in Class II wells. There are currently 1,144 Class II wells (disposal and enhanced recovery) and seven Class I wells in the state.

This bill also provides for an immediate effective date.

I urge your prompt and favorable action on this measure.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Frank H. Murkowski".

Frank H. Murkowski
Governor

Enclosure

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 142
 (H) Publish Date: 2/14/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
 Title Regulation of underground injection under RDU Resource Development
the federal Safe Drinking Water Act Component Commissioner's Office
 Sponsor Rules
 Requester Governor Component No. 423

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There is no anticipated fiscal impact for DNR associated with implementation of this legislation.

Prepared by: Janet Baxter, Legislative Liaison Phone 907-465-4730
 Division: Commissioner's Office Date/Time 2/8/2005
 Approved by: Tom Irwin, Commissioner Date 2/8/2005
 Agency: Natural Resources

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: HB 142
 (H) Publish Date: 2/14/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Admin
 Title: Underground injection under the RDU: Oil & Gas Conservation Commission
Federal safe drinking water Component: Oil & Gas Conservation Commission
 Sponsor: Rules Committee
 Requester: Governor Component No.: 2010

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	25.0	25.0	25.0	25.0	25.0	25.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	25.0	25.0	25.0	25.0	25.0	25.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other 1162 AOGCC Receipts	25.0	25.0	25.0	25.0	25.0	25.0
TOTAL	25.0	25.0	25.0	25.0	25.0	25.0

Estimate of any current year (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Will take 10% inspection time (\$9.0) and 10% Petroleum Engineer (\$16.0). The impact will be covered by overtime.

Prepared by: Daniel Seamount, Commissioner Phone 907-793-1221
 Division: Alaska Oil & Gas Conservation Commission Date/Time 1/28/05 1:13 PM
 Approved by: Michael Tibbles, Deputy Commissioner Date 1/28/2005
 Agency: Department of Administration

Alaska Oil and Gas Association



121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907)272-1481 Fax: (907)279-8114
Email: crockett@aoga.org
Marilyn Crockett, Deputy Director

April 1, 2005

Testimony to House Resources Committee
On HB142
By Marilyn Crockett, Deputy Director
Alaska Oil and Gas Association
April 1, 2005

The Alaska Oil and Gas Association (AOGA) is a private, nonprofit trade association whose 18 member companies account for the majority of oil and gas exploration, development, production, transportation, refining and marketing activities in Alaska. We appreciate the opportunity to testify in favor of the Alaska Oil and Gas Conservation Commission (AOGCC) assuming primacy from EPA for the Underground Injection Control (UIC) Class I Program.

The Commission has had responsibility for the Class II program since 1986, and is highly regarded for its management of that program. In 2003, the independent Ground Water Protection Council's Peer Review of the AOGCC's program gave the program high marks, noting that "the commission has a well defined organizational pattern designed to ensure quality coverage in all regulatory areas".

The critical components of decision-making related to Class I well permitting are subsurface evaluations and structural integrity of wells. AOGCC is the state agency with the technical expertise to make these evaluations. In fact, AOGCC routinely provides invaluable technical assistance to EPA on permitting and management of Class I wells in Alaska.

We encourage passage of legislation granting AOGCC with the statutory authority to assume this important program. Thank you.

Alaska Oil and Gas Association



121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907)272-1481 Fax: (907)279-8114
Email: crockett@aoga.org
Marilyn Crockett, Deputy Director

March 15, 2005

Testimony to House Special Committee on Oil and Gas
On HB142
By Marilyn Crockett, Deputy Director
Alaska Oil and Gas Association
March 15, 2005

The Alaska Oil and Gas Association (AOGA) is a **private**, nonprofit trade association whose 18 member companies account for the majority of oil and gas **exploration**, development, production, transportation, refining and marketing activities in Alaska. We **appreciate** the opportunity to testify in favor of the Alaska Oil and Gas Conservation Commission (AOGCC) **assuming primacy** from EPA for the Underground Injection Control (UIC) Class I Program.

The Commission has had responsibility for the **Class II program** since 1986, and is highly regarded for its management of that program. In 2003, the **independent** Ground Water Protection Council's Peer Review of the AOGCC's program gave the program high **marks**, **noting that**: "the commission has a well defined organizational pattern designed to ensure **quality coverage** in all regulatory areas".

The critical components of decision-making related to Class I well permitting are subsurface evaluations and structural integrity of wells. AOGCC is the **state** agency with the technical expertise to make these evaluations. In fact, AOGCC routinely provides **invaluable** technical assistance to EPA on permitting and management of Class I wells in Alaska.

We encourage passage of legislation granting AOGCC with the statutory authority to assume this important program. Thank you.

Support



U.S. Environmental Protection Agency Underground Injection Control Program

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What is the
UIC program?

Critical Initiatives

Classes of
Injection Wells

Class I

Class II

Class III

Class IV

Class V

State UIC Programs

Regulations &
Guidance

Deep Wells (Class I)

- EPA has completed and submitted to Congress a study of Class I wells that describes the current Class I UIC Program, documents past compliance incidents involving Class I wells, and summarizes studies of human health risks associated with Class I injection conducted for past regulatory efforts and policy documentation. Read [Class I Underground Injection Control Program: Study of the Risks Associated with Class I Underground Injection Wells \[PDF file\]](#) (EPA 816-R-01-007 / March 2001).
- Class I injection well facilities dispose of industrial hazardous, industrial nonhazardous and municipal (non-hazardous) waste.
- There are 272 active Class I injection facilities nationwide. Of these, 51 are hazardous and 221 are non-hazardous. These 272 facilities maintain approximately 529 Class I injection wells that are scattered throughout the US in 19 states. The greatest concentration are located in the Gulf Coast, Great Lakes, and the Floridian peninsular geographical regions.
- Class I wells are mainly used in the following industries:
 - Petroleum Refining,
 - Metal Production,
 - Chemical Production,
 - Pharmaceutical Production,
 - Commercial Disposal,
 - Municipal Disposal and
 - Food Production.
- Class I injection wells are sited such that they inject below the lowermost USDW and a confining zone above an injection zone. Injection zone reservoirs typically range in depth from 1,700 to over 10,000 feet below the surface.

Hazardous Waste Injection Wells

Injection of hazardous waste into deep wells began in the United States in the 1960s. At that time, the chemical industry was looking for a safe, relatively inexpensive method for disposing of high volumes of waste that could be considered toxic. Technology was borrowed from the oil and gas industry to develop this new form of disposal.

- There are 163 Class I hazardous waste injection wells located at 51 facilities. Most are found in Texas (78) and Louisiana (18). Eleven of the facilities are commercial hazardous waste injection facilities. These are the only facilities that can accept hazardous waste generated offsite for injection. Ten of them are located in the Gulf Coast region while one is located in the Great Lakes region.
- Hazardous and Solid Waste Amendments to RCRA made UIC regulations (1988) more stringent for Class I hazardous wells. This resulted in strict no-migration standards and a petition approval process for continued operation of the wells. Of the 51 Class I hazardous waste facilities, 47 have approved no-migration petitions that cover 123 wells. To receive a no-migration petition the facility must be able to

demonstrate that injected waste will not impact the biosphere (ground water or surface water) for 10,000 years.

UIC Class I Deep/High Technology Hazardous Waste Wells



Non-Hazardous Waste Injection Wells

Non-hazardous deep injection wells have to meet all the technical requirements of hazardous waste wells. These wells inject industrial, low radiation and municipal wastes. Some states include some mining wells in this group and require the operators of these wells to meet all the requirements of other deep wells.

- There are 366 Class I non-hazardous injection wells nationwide. While these wells are scattered through 19 states, most of them are found in the states of Florida (112) and Texas (110).
- Florida is the only state with Class I municipal waste disposal wells (104).

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Last updated on Monday, February 14th, 2005
URL: <http://www.epa.gov/safewater/uic/classi.html>



U.S. Environmental Protection Agency Underground Injection Control Program

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What is the UIC program?

Critical Initiatives

Classes of Injection Wells
Class I
Class II
Class III
Class IV
Class V

State UIC Programs

Regulations & Guidance

Oil and Gas Injection Wells (Class II)

The oil and gas production industry accounts for a large proportion of the fluids injected in the subsurface. Typically, when oil and gas are extracted, large amounts of salt water (brine) are also brought to the surface. This salt water can be very damaging if it is discharged in surface water. Instead, all states require that this brine be injected into formations similar those from which it was extracted. Over 2 billion gallons of brine are injected daily into injection wells in the US.

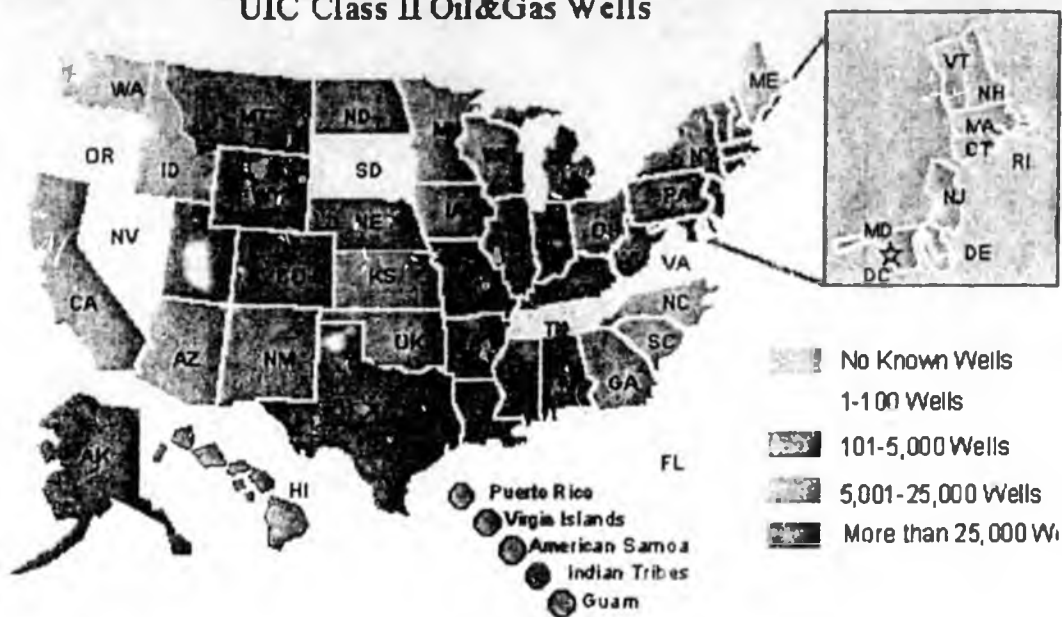
The largest proportion of these brines are injected into formations that contain trace portions of extractable oil and gas. Injection of the brines can have the effect of enhancing production of oil and gas from the formations, thus secondary recovery of oil and gas depends heavily on injection. Furthermore, when States started to implement rules that prevented the disposal of brine to surface water bodies and soils, injection of this waste fluid became the prevalent form of disposal.

Class II wells exist wherever there is production of oil and gas. There are approximately 167,000 oil and gas injection wells in the US, most of which are used for the secondary recovery of oil. In this process water is pumped into the formation that contains some residual hydrocarbons. A portion of the hydrocarbons are recovered, along with the injected water, by extraction or production wells. In a common configuration, one injection well is surrounded by 4 or more extraction wells. The recovered fluid is treated to remove most of the hydrocarbons in a device called a separator. The other type of oil and gas injection well is a disposal well. In this type of well, excess fluids from production and some other activities directly related to the production process are injected solely for the purpose of disposal.

Class II wells have to follow strict construction and conversion standards except when historical practices in the State and geology allow for different standards. A Class II well that follows EPA federal standards is built very much the same as a deep or Class I well. In 1997 Congress added Section 1425 to the Safe Drinking Water Act, that controls underground injection, relieving Class II well programs in the States from having to meet the technical requirements in the UIC regulations. Instead, they can make a demonstration that the State has an "... effective program (including adequate record-keeping and reporting) to prevent underground injection which endangers drinking water sources."

Most of the oil and gas injection wells are located in the Southwest, with Texas having the largest number (53,000) and California, Oklahoma and Kansas following some distance behind with 25,000, 22,000 and 15,000 wells respectively.

UIC Class II Oil&Gas Wells



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Last updated on Monday, February 14th, 2005
URL: <http://www.epa.gov/safewater/uic/classii.html>

Alaska UIC Issues

What we do.

What are the challenges?

What are the options?



AOGCC – EPA UIC Situation

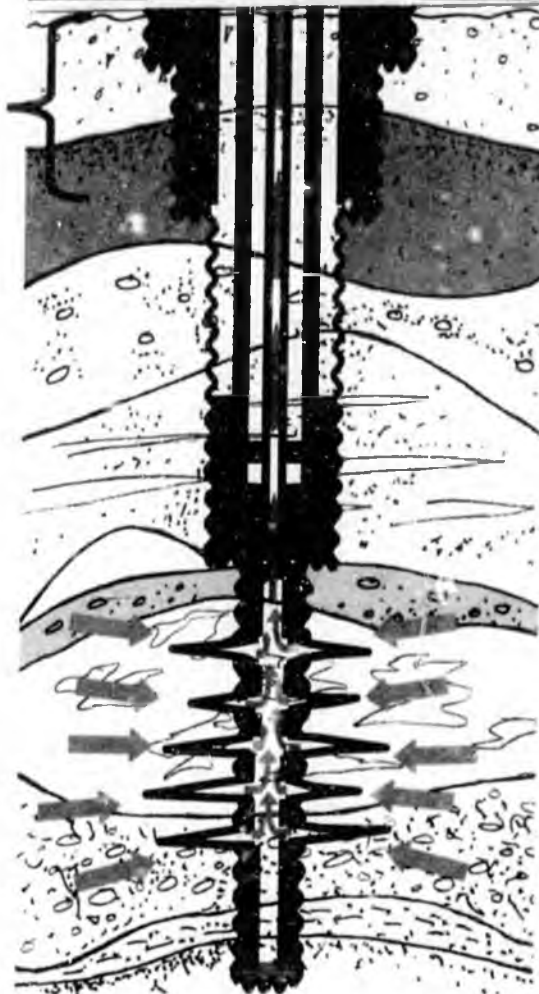
- Introduction
- UIC and other USDW Responsibilities
- House Bill 142
- The Problem to Solve
 - UIC Well Classes
 - Alaska UIC Situation- redundancy, confusion, Time, \$\$\$
- Options/Solutions



Meter proving on pipelines

AOGCC regulates operations affecting subsurface oil & gas resources, ensures the reliability of oil & gas flow measurements, and ensures that underground sources of drinking water are protected.

Inspection of drilling operations



Protect Fresh Water

Regulate oil & gas fields operations

Regulate wells constructed

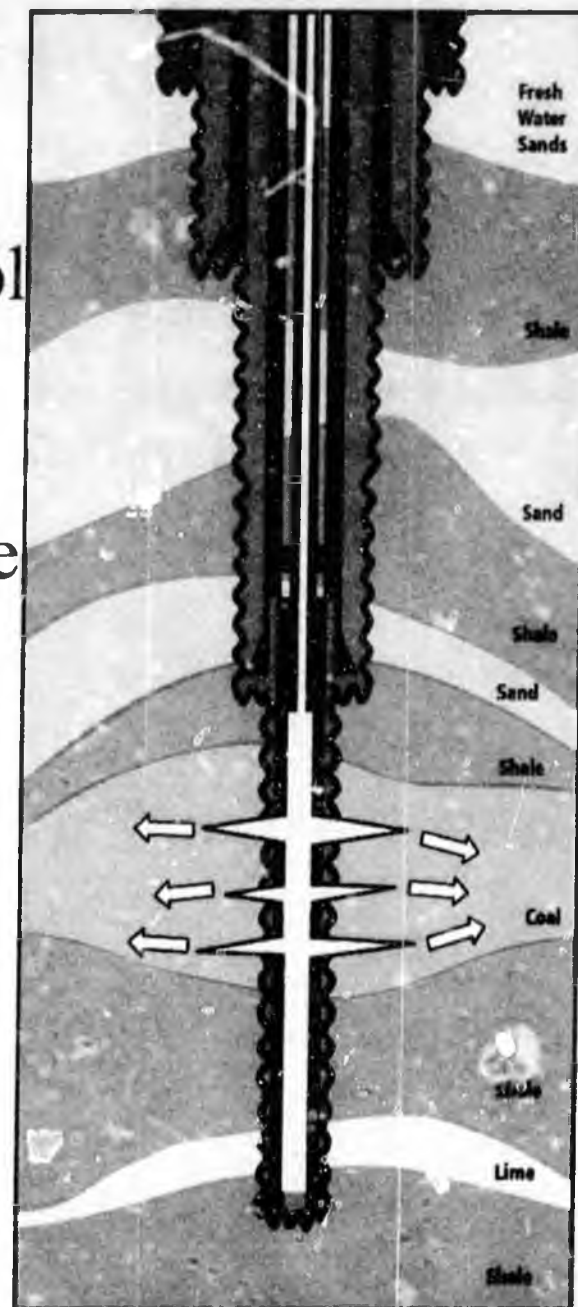
UNDERGROUND INJECTION PROGRAM (Class II)

AOGCC has primacy for implementing the federal Underground Injection Control (UIC) Program relating to regulation of underground injection activities for the purposes of enhanced oil recovery and the most environmentally sound disposal of oil field waste.

The proper underground injection of material to enhance oil recovery has resulted in billions of \$\$\$ in revenue to the State of Alaska

And

The best place to put oilfield waste is deep underground.



Sec. 31.05.030. Powers and duties of commission.

(d) The commission may require

(3) the drilling, casing and plugging of wells in a manner that will prevent the escape of oil or gas out of one stratum into another, the intrusion of water into an oil or gas stratum, the pollution of fresh water supplies by oil, gas or salt water, and prevent blowouts, cavings, seepages and fires;

(e) The commission may regulate

(1) for conservation purposes

(D) the disposal of salt water, nonpotable water, and oil field wastes;

(E) the contamination or waste of underground water;

(h) The commission may take all actions necessary to allow the state to acquire primary enforcement responsibility under 42 U.S.C. 300h-4 (Safe Drinking Water Act of 1974, as amended, 42 U.S.C. 300f-300j), for the control of underground injection related to the recovery and production of oil and natural gas.

House Bill 142

“An Act relating to regulation of underground injection under the Safe Drinking Water Act and providing for an immediate effective date.”

*** Section 1.** AS 31.05.030(h) is amended to read:

(h) The commission may take all actions necessary to allow the state to acquire primary enforcement responsibility under **42 U.S.C. 300h-1 and 42 U.S.C. 300h-4** (Safe Drinking Water Act of 1974, as amended, 42 U.S.C. 300f - **300j-26**), for the control of underground injection related to the recovery and production of oil and natural gas **and the control of underground injection in Class I wells as defined in 40 C.F.R. 144.6, as amended.**

*** Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

UIC Situation

Two agencies performing same job, one protecting a non-existent resource resulting in onerous and costly requirements on industry and Alaska.

Common Sense Solutions?

AOGCC control through primacy or single disposal class by eliminating redundancy through statute change (new bill) and positive EPA interpretation and ruling (EPA doesn't think this is possible)

Underground Injection Control



- Program under Safe Drinking Water Act
 - Protect underground drinking water sources
- 5 classes of wells
 - Class I: industrial, hazardous and non-hazardous; municipal waste
 - Class II: oil and gas
 - Class III: mining
 - Class IV: shallow hazardous and radioactive waste injection
 - Class V: whatever doesn't fit in I-IV (into H₂O table->20 people domestic, industrial, ?)

**Class I
(7)**

NORTH SLOPE

BARROW

Wheeler City

Kotzebue

**Class II
(1155)**

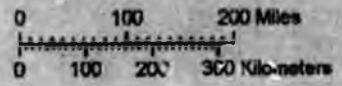
**Class V
(3000++
statewide)**

CANADA

YUKON



Kodiak



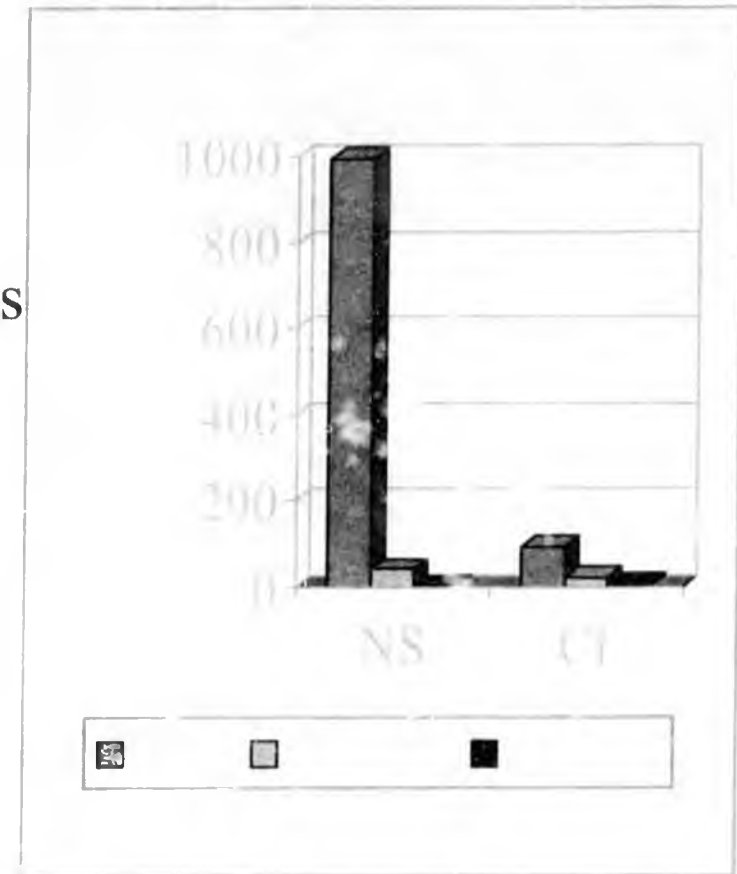
Cold Bay

Unalakleet

Prudhoe Bay

Alaska UIC Statistics - 2004

- 1155 operable UIC wells
 - 90% EOR (Class II-R)
 - Most converted producers
 - 1.1 billion bbls water, 3.2 Tcf gas injected (2004)
- 7 Class I wells
 - All on North Slope
 - 8th Class I well drilling
- 1.87 Billion bbls waste disposed (cumulative)
 - Class I wells: 1.2% of total volume disposed to date



UIC Situation- Waste of Tax Payer and Industry \$\$ & Time

- Confusion by operators over what waste is allowed to be disposed in each Class
 - All wastes on the NS are directly associated with hydrocarbon production- should all be Class II-(not EPA view)
 - Much time & energy expended for waste determination and tracking by industry and government
- Redundancy- North Slope- EPA and AOGCC running virtually identical programs.
 - Often same fluids injected into the same disposal zones
 - Class I- same confinement and well construction or worse (see slide after next)
 - AOGCC performs much work advising EPA on their program

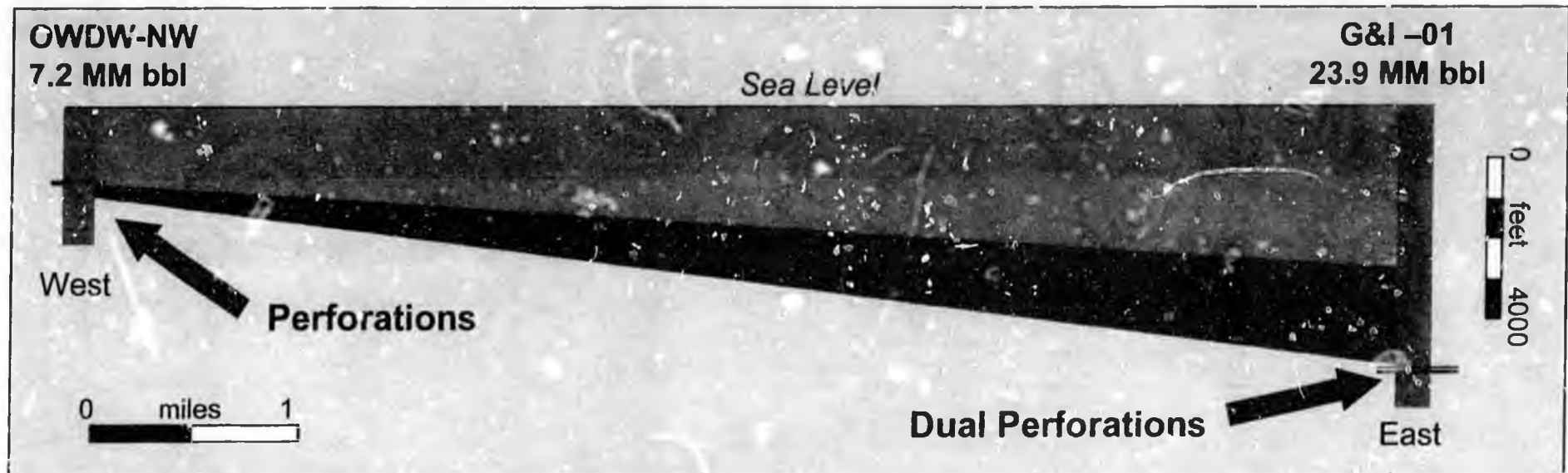
UIC Situation- Waste of Tax Payer and Industry \$\$ & Time (cont.)

- EPA Class I program-
 - Protects non-existing resource (fresh water)
 - Inefficient permit process; EPA approvals generally much slower than AOGCC.
 - Onerous & costly stipulations concerning well integrity
 - EPA has no permanent onsite field inspectors
 - EPA regulates only 7 out of 1162 UIC wells
 - Costly and remote for EPA

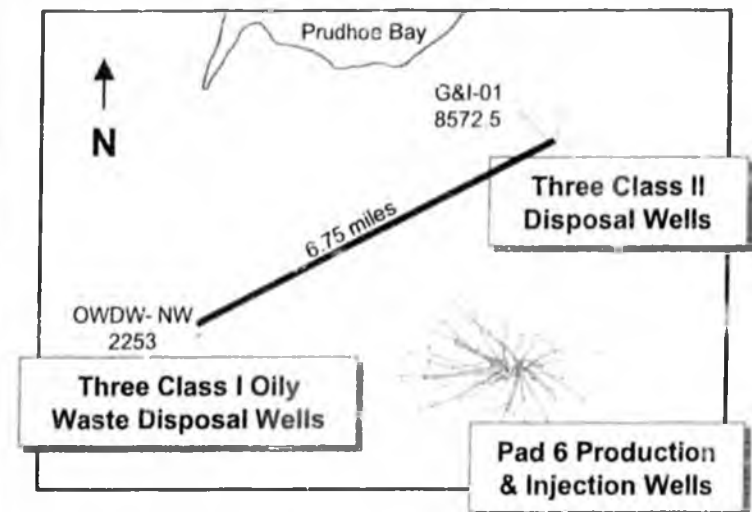
Temptation to transport waste long distance for surface displacement or disposal in redundant disposal well



Confinement Analysis in Prudhoe Bay Unit Class I vs. Class II-D



	OVDW-NW	G&I-01
Permafrost Interval	0-1905'	0-1800'
Confining Interval	1905-1980'	1800-4200'
Injection Interval	1980-2253'	4270-6750'
Perforations	1980-2005'	6415-6422' 6505-6527'



Confusion- Fluids Eligible for Class II

- EPA position
 - fluids that have been down hole
 - generated by contact with oil & gas production stream during removal of produced water or other contaminants
- Wastes “directly associated”; “intrinsically derived from”; “associated with”; “uniquely associated”?
 - Interpretive; contrary to logic
 - Cement rinsate; unused fluids; camp wastes
- Room for exceptions? On what basis?
 - EPA position – no; rules do not provide for exceptions
 - AOGCC – should be
 - uniqueness of NS ops; environmental preference; no USDWs; freshwater protection mandate for AK; SDWA and UIC

Class I and Class II Examples

- Alpine UIC compliance cost (per barrel fluid disposed)
 - Class I: \$2.50
 - \$100k to operate
 - Class II: \$1.50
 - Difference is integrity demonstrations, reporting
- Prudhoe Bay field comparison
 - Grind and Inject Facility – Class II
 - AOGCC
 - Oily Waste Disposal Wells – Class I
 - EPA

Options/Solutions

AOGCC working with EPA Region 10

- Business as Usual
 - No effort expended to change status quo
 - Confusion
 - Costly to tax payer and industry
 - Redundant
 - Inefficient approval process
 - Not Operator preference

Options/Solutions (Cont.)

AOGCC working with EPA Region 10

- AOGCC primacy over EPA oversight- 2 well classes- HB 142
 - Less industry confusion
 - Saves industry and tax payer \$\$
- One class of well for all disposal- overseen by AOGCC- need statute & ruling by EPA
 - Less energy used for waste determination and tracking
 - Less industry confusion greatly
 - Saves industry and tax payer \$\$

HB

153

FRANK H. MURKOWSKI
GOVERNOR
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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February 15, 2005

The Honorable John Harris
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Harris:

Under the authority of art. III, sec. 18, of the Alaska Constitution, and in the interest of reducing duplication in and otherwise improving regulatory processes, I am transmitting a bill relating to regulation of the discharge of pollutants that would authorize state assumption of primacy over the federal Clean Water Act National Pollutant Discharge Elimination System (NPDES) program.

Under existing state law, the Department of Environmental Conservation (DEC) regulates a broad universe of waste and wastewater disposal activities. These include the same activities (the discharge of pollutants to surface waters) that the United States Environmental Protection Agency (EPA) regulates under the NPDES program. This results in duplication of effort by the state and EPA, and in important decisions about the control of wastewater disposal being made by federal regulators with limited knowledge of Alaska-specific issues.

Through ch. 143, SLA 2004, DEC was authorized to take the actions necessary to assume primacy for the Clean Water Act NPDES program for the timber-industry sector. It was recognized through enactment of ch. 143, SLA 2004 that a timber-industry sector program would be a good first step on the road to broader assumption of primacy for the NPDES program. That step, however, brings home to Alaska only a relatively small portion of important wastewater permitting decisions. This limits our ability as a state to design a comprehensive, rational environmental protection program. Such a program would balance prevention of threats to state waters from industrial discharges and the more common wastewater discharges such as from municipal sewage treatment plants and stormwater against our constitutional charge to develop state land and resources, consistent with the public interest.

The Honorable John Harris
February 15, 2005
Page 2

This bill would remove the timber-sector limitation on the authority provided by ch. 143, SLA 2004, thereby allowing the DEC to take the actions necessary to assume primacy for all of the NPDES program delegable to the state. This would enable DEC to pursue the full benefit of the federal Clean Water Act for Alaska, by bringing home to the state this important permitting program in full, all at once or through phased implementation. This would not affect adoption or implementation of state water quality standards.

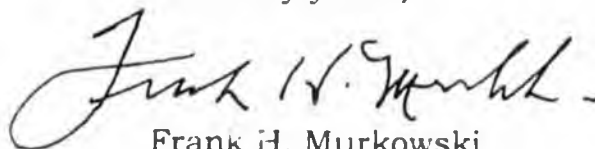
The bill also would amend existing fee provisions to allow for financing of a portion of the full state NPDES program through user fees. Specifically, sec. 2 of the bill would give the DEC the general authority to adopt user fee regulations covering the entire state-assumed NPDES primacy program, thereby removing the existing limitation of this authority to only the timber-industry sector. Under existing AS 37.10.050 - 37.10.058, state NPDES permits would be included in the designated regulatory services category for which flat fees are set, just as state-issued wastewater disposal permits and the state's certification of federal NPDES permits already are.

Section 4 of the bill contains several conditions to include in a state NPDES program. These conditions are the result of extensive consultation between the DEC, the EPA, and permittees who will be affected by the state's assumption of the NPDES program.

The enforcement and penalty provisions would apply to the full NPDES program in the same manner as approved by the Legislature last year for the timber-industry sector program authorized by ch. 143, SLA 2004.

I urge your prompt and favorable action on this measure.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Frank H. Murkowski". The signature is written in a cursive style with a large, sweeping initial "F".

Frank H. Murkowski
Governor

Enclosure

MEMORANDUM

State of Alaska
Department of Law

TO: Kurt Fredriksson
Acting Commissioner
Alaska Dept. of Environmental Conservation

DATE: March 8, 2005

FILE NO: 773-05-0009

TEL. NO.: 451-2811

FROM: Cameron Leonard
Fairbanks AGO

SUBJECT: Sectional Analysis for SB110/HB153

Sectional Analysis for SB 110/ HB 153

Section 1 sets out legislative findings and intent for this bill. Note that the finding is modeled on a similar finding contained in CSHB 540, found at § 1, ch. 143 SLA 2004. The two statements of intent are to direct ADEC to: (1) file an application for NPDES primacy with EPA by June 30, 2006; and (2) to maintain and consult with the workgroup of affected permittees during the development and approval of ADEC's permitting program. These two items are among those to emerge from the deliberations of the workgroup over the last several months. See also the discussion of section 4 of the bill, below.

Sections 2 and 3 are similar: they both broaden ADEC's authority to assume NPDES permitting primacy from the timber industry sector only (as provided under current law) to all discharges subject to the NPDES program. The sections accomplish this by removing limiting language that accompanied the legislature's prior grant of authority to ADEC. Section 2 allows ADEC to adopt regulations prescribing fees for the permits that it will issue under the program, while section 3 gives ADEC authority to take any actions necessary to receive NPDES primacy from EPA.

Section 4 prescribes five elements that ADEC's NPDES program must contain. All five elements came out of the discussions of the workgroup, and represent a consensus view of affected permittees on what a state program should look like. The proposed new section 100(h)(1) reflects the concern that in the past, NPDES permits issued by EPA have sometimes contained monitoring and reporting requirements that went beyond what the law required, and exposed the permittees to EPA enforcement

Sectional

and to citizen suits if they did not comply. The proposed new section 100(h)(2) and (3) reflect permittees' desire to review the permit terms early in the drafting process and before final issuance. Proposed section 100(h)(4) reflects the permittees' belief that ADEC's use of contractors could make the permitting process quicker and more efficient. Finally, the proposed section 100(h)(5) seeks to avoid the automatic stay of a permit by virtue of a request for a hearing on the permit, which currently occurs under the federal rules. See 40 CFR 124.16.

Section 5 of the bill is really a house-keeping measure, in that it clarifies some confusion introduced into AS 46.03.120 by the convergence of two bills last year. Both CSHB 546 and SCSHB 524 made changes to AS 46.03.120(b), and unfortunately the combined effect was to leave a few words out of the section 120(b)(3). This section of the current bill simply restores those words and makes the statute coherent again.

Finally, section 6 of the bill provides for an immediate effective date.

TESTIMONY OF ACTING COMMISSIONER KURT FREDRIKSSON
HOUSE RESOURCES COMMITTEE
HOUSE BILL 153 (NPDES ASSUMPTION)
MARCH 14, 2005

Mr. Chairmen, members of the Committee, I am pleased to testify today in support of House Bill 153, for state assumption of the National Pollutant Discharge Elimination System, commonly referred to as the NPDES permit program. My testimony will focus on why Governor Murkowski and I believe passage of HB 153 will strengthen the ability of Alaskans to protect the State's water resources and build a strong economy. With me today is Dan Easton, Director of the Department's Division of Water to provide you with the details of how this bill was developed.

Since the creation of the Department of Environmental Conservation (DEC) in 1971, our duties have been clearly spelled out by the legislature to adopt and enforce regulations which set standards for the control of water, land and air pollution (AS 44.46.020). DEC fulfills these State obligations consistent with national pollution control programs authorized under the Clean Air and Clean Water Acts. These state and federal environmental laws are designed to accomplish uniform environmental quality goals nationwide using pollution controls tailored to each state's unique circumstances.

DEC currently exercises all the authorities granted by the Alaska legislature as well as the United States Congress to protect Alaska's air quality and drinking water. The same is not true for protecting the quality of Alaska's surface water. The federal Environmental Protection Agency (EPA) is the water authority in Alaska. Alaska, like four other states, has allowed wastewater permitting authority to remain with the federal government.

EPA makes the wastewater permitting rules in Alaska. EPA decides what's important and what's not. EPA decides the permit review timeframes. EPA decides what goes into the permits and who gets inspected. EPA decides how Alaska's water quality standards will be applied to specific discharges. EPA sets Alaska's water quality priorities.

As you know, Governor Murkowski is committed to permit streamlining that eliminates duplicative, unnecessary procedures which invite litigation and add time and cost... without additional environmental protection. Governor Murkowski is committed to permit streamlining that aligns our regulatory requirements with real Alaska conditions and focuses on the real risks to Alaska's water quality.

DEC has made significant progress in streamlining its permit programs, but when it comes to wastewater permitting, we cannot fix what we don't control.

Alaska has never pursued the opportunity provided by the federal Clean Water Act to shape the NPDES water pollution control permit program to fit Alaska's unique circumstances. HB 153 would allow DEC to develop a comprehensive water quality protection program where all program components, from legislative budgeting and oversight to fieldwork and enforcement, are conducted here in the state, where Alaskans can shape solutions to fit Alaska's challenges. Alaskans are capable of protecting our water resources

A state permit program will be based on Alaska's priorities – not national priorities that are "one-size-fits-all". DEC's permit priorities, level of effort and performance measures would be subject to annual review and approval by Alaskans through their elected officials in the state Legislature.

A state run program will place permit decision makers closer to the Alaskan public and regulated permit holders. No longer will permits be written and enforced by federal staff unfamiliar with Alaska's unique environment.

The State run permit program won't be free. When EPA issues permits in Alaska the costs are borne by the U.S. taxpayer. A state permit program will shift authority and responsibility to the state, but it will also shift some of the costs to permit holders and the State.

Federal programs do not adapt easily to Alaska. National goals do not always address our greatest needs. You, Alaska's elected representatives, have made clear our commitment to environmental protection and our responsibility to develop our resources for the wellbeing of all Alaskans. If we are to realize the promise of resource development, we must accept responsibility for managing our water resources. That means assuming primacy for the NPDES program.

With primacy there will be no rollback of environmental protection; anyone who supports primacy on that basis will be disappointed.

NPDES primacy means:

- A faster, more effective program for protecting our water resources.
- Alaskan industries and communities working with Alaskan permittees on permits that reflect our priorities and unique conditions - permits that make sense for Alaska.
- Less emphasis on cumbersome process and more emphasis on results.
- Less emphasis on one-size-fits-all permits and more emphasis on specific risks to Alaska's environment.
- Permitting accountability – accountability to Alaska's elected officials and the public.

It is time for Alaskans to take responsibility for protecting Alaska's environment. To do otherwise means continuing the status quo. The status quo is unacceptable.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 153
 (H) Publish Date: 2/18/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Fish and Game
 Title: Relating to Regulation of the RDU _____
Discharge of Pollutants Component _____
 Sponsor: Rules Committee
 Requester: Governor Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Passage of this legislation would have no fiscal impact.

Prepared by: Sarah Gilbertson Phone 465-6137
 Division: Legislative Liaison Date/Time 2/11/05 3:33 PM
 Approved by: Commissioner Kevin Duffy Date 2/11/2005
 Agency: Alaska Department of Fish & Game

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: HB 153
 (H) Publish Date: 2/16/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
 Title: NPDES Primacy RDU: Resource Development
 Component: Commissioner's Office
 Sponsor: Rules
 Requester: Governor Component No.: 423

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1 37 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

DNR does not expect any change to our reviews under the new program since the state is simply assuming responsibility for the existing federal program.

Prepared by: Jane Baxter Phone 465-4730
 Division: Commissioner's Office Date/Time 12/8/2004
 Approved by: Tom Irwin Date 12/8/2004
 Agency: Natural Resources

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: HB 153
 (H) Publish Date: 2/16/2005

Revision Date/Time (Note if correction): _____ Dept. Affected: DOT&PF
 Title: NPDES Primacy RDU: Administration & Support
 Component: Commissioner's Office
 Sponsor: Rules Committee
 Requester: Governor Component No.: 530

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type—Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 None

Prepared by: John Manly Phone 465-3904
 Division: Communications, DOT&PF Date/Time: 12/7/04 10:34 AM
 Approved by: Mike Barton Date: 12/7/2004
 Agency: Commissioner, DOT&PF

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 4
Bill Version: HB 153
(H) Publish Date: 2/16/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Environmental Conservation
Title: DEC regulation of wastewater and RDU: Division of Water
federal Clean Water Act NPDES primacy Component: Water Quality
Sponsor: Rules Committee
Requester: Governor Component No.: 2062

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	411.1	863.3	863.3	863.3	863.3	863.3
Travel	79.0	98.0	98.0	98.0	98.0	98.0
Contractual	281.4	554.1	554.1	554.1	554.1	554.1
Supplies	13.0	13.0	13.0	13.0	13.0	13.0
Equipment	89.7	19.5	19.5	19.5	19.5	19.5
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	874.2	1,547.9	1,547.9	1,547.9	1,547.9	1,547.9

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()			75.0	150.0	225.0	300.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	874.2	1,547.9	1,472.9	1,397.9	1,322.9	1,247.9
1005 GF/Program Receipts			75.0	150.0	225.0	300.0
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	874.2	1,547.9	1,547.9	1,547.9	1,547.9	1,547.9

Estimate of any current year (FY2005) cost: _____

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time	13	13	13	13	13	13
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill directs the Department to seek authority from the U.S. Environmental Protection Agency (EPA) to fully implement the federal National Pollutant Discharge Elimination System (NPDES) wastewater discharge permitting program. Building on FY05 efforts directed at primacy for the timber industry under HB 546, the Department projects a one-year (FY 2006) effort to complete development of the primacy application to EPA, with EPA review and approval during the following year. The funds identified in FY 2006 and FY 2007 and beyond are in addition to funds allocated in HB 546 (\$396.4 and \$132.5, respectively) for timber primacy, and reflect additional program development and implementation work necessary for full primacy; management of over 2,300 permits, specialized staff
(Continued on page 2)

Prepared by: Lynn J. Tomich Kent Phone (907) 465-5312
Division: Water Date/Time 2/4/05 3:52 PM
Approved by: Kurt Fredrikson, Acting Commissioner Date 2/4/2005
Agency: Department of Environmental Conservation

FISCAL NOTE #4

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. HB 153

ANALYSIS CONTINUATION

(Continued from page 1)

training, compliance data entry, and increased efforts in the stormwater program. One-time Federal grant funds were included in HB 546 and no additional federal funds are available.

- **Revenue** - The Department anticipates taking over permit issuance and compliance from EPA in a phased approach as staff gain experience in the program, with annual program receipts income gradually increasing up to a total of \$300.0. Fees will be assessed according to existing fee statutes to accommodate the increased level of effort associated with NPDES permit and compliance services to owners/operators of facilities with wastewater discharges: municipal sewage treatment plants, utilities, mines, seafood processing plants, oil and gas operations, municipal stormwater, and construction projects with stormwater discharges.

FY 2006 Transition to NPDES Primacy

- **Personal Services** - Funds are for 13 permanent FT positions. They are budgeted at 8 months, recognizing staggered hiring and that not all 13 positions will be hired on the first day of the fiscal year. These positions will develop regulations, permitting procedures, standardized program forms, internet-based materials, compliance data entry forms and systems, and other items necessary to submit an NPDES primacy application to EPA.

- **Travel** - Support new staff for primacy application and program development; primarily allows for substantial training for existing and new staff in NPDES-specialized skills the state must acquire to assume primacy.

- **Contractual** - RSA to Dept. of Law for legal assistance with primacy application and regulations development (\$150.0), professional services contracts to support NPDES technical issues and regulations development (\$60.0), public notices, and position support costs (\$49.3)

- **Supplies** - Standard office supplies.

- **Equipment** - Office furniture and computers for all new permanent staff.

FY 2007 and ongoing - Implementation of NPDES Primacy

The Department anticipates attaining NPDES primacy during FY 2007. The fiscal note for FY 2007 and beyond reflects the remaining program development work and ongoing costs of implementing the program. Long-term fiscal stability is necessary to maintain NPDES program primacy.

- **Personal Services** - Ongoing costs for 13 positions, budgeted for 12 months, will perform NPDES program management, additional permitting and compliance work, specialized (scientific and technical) services, data entry, EPA reporting, ongoing program development & rulemaking, and clerical support.

- **Travel** - Staff permitting and facility inspections to meet NPDES mandated inspection schedules; ongoing specialized skills training; and occasional program development meetings.

- **Contractual** - Laboratory sample analysis (\$144.0); routine public notices of permits and occasional regulations revisions; staff technical training, professional services contracts for assistance with NPDES permitting and compliance-related issues (\$120.0); RSA to Dept. of Law for assistance in preparing legally defensible permits and taking enforcement actions for non-compliance with permits (\$150.0); public notices, and position support costs (103.6).

- **Supplies** - Standard office supplies and water quality sampling supplies.

- **Equipment** - Ongoing office equipment and computer replacement costs, environmental monitoring equipment purchase or replacement and other facility inspection equipment (such as personal safety gear, field equipment, cameras).

Personal Services New Position Detail

HB 153 - FN#4

Department of Environmental Conservation
NPDES Primacy

Scenario : A Scenario for FY2006 Fiscal Notes (4191)
Component: Water Quality (2062)
RDU: Water (210)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range & Steps	Budgeted Months	Split / Annual Count	Annual Salary	COLA	Premium Pay	Annual Benefits	Total Costs
18-#004	Environmental Spec IV	FT	A	GG	Juneau	1A	20C	6.0		28,224	545	0	13,243	42,012
Justification:						Funding Detail:								
Implement the National Pollutant Discharge Elimination System (NPDES) wastewater discharge permitting program.						1004	General Fund Receipts						100.00%	42,012
												Total Funding:	100.00%	42,012
18-#005	Environmental Spec III	FT	A	GP	Anchorage	1A	18A	6.0		23,040	445	0	11,748	35,233
Justification:						Funding Detail:								
Implement the National Pollutant Discharge Elimination System (NPDES) wastewater discharge permitting program.						1004	General Fund Receipts						100.00%	35,233
												Total Funding:	100.00%	35,233
18-#006	Environmental Spec III	FT	A	GG	Juneau	1A	18B	6.0		23,880	462	0	11,990	36,332
Justification:						Funding Detail:								
Implement the National Pollutant Discharge Elimination System (NPDES) wastewater discharge permitting program.						1004	General Fund Receipts						100.00%	36,332
												Total Funding:	100.00%	36,332
18-#007	Environmental Spec II	FT	A	GG	Juneau	1A	16B	6.0		20,754	401	0	11,088	32,243
Justification:						Funding Detail:								
Implement the National Pollutant Discharge Elimination System (NPDES) wastewater discharge permitting program.						1004	General Fund Receipts						100.00%	32,243
												Total Funding:	100.00%	32,243
18-#008	Environmental Spec II	FT	A	GP	Anchorage	1A	16A	6.0		19,998	386	0	10,870	31,254
Justification:						Funding Detail:								
Implement the National Pollutant Discharge Elimination System (NPDES) wastewater discharge permitting program.						1004	General Fund Receipts						100.00%	31,254
												Total Funding:	100.00%	31,254

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column.

Personal Services New Position Detail

HB 153 - FN#4

Department of Environmental Conservation
NPDES Primacy

Scenario: A Scenario for FY2006 Fiscal Notes (4191)

Component: Water Quality (2062)

RDU: Water (210)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range & Step	Budgeted Months	Split / Annual Count	Annual Salary	COLA	Premium Pay	Annual Benefits	Total Costs
18-#009	Environmental Specialist II	FT	A	GG	Fairbanks	1B	16B	6.0		21,582	417	0	11,327	33,326
Justification:						Funding Detail:								
Implement the National Pollutant Discharge Elimination System (NPDES) wastewater discharge permitting program.						1004	General Fund Receipts						100.00%	33,326
						Total Funding:							100.00%	33,326
18-#010	Environmental Specialist II	FT	A	GG	Fairbanks	1B	16B	6.0		21,582	417	0	11,327	33,326
Justification:						Funding Detail:								
Implement the National Pollutant Discharge Elimination System (NPDES) wastewater discharge permitting program.						1004	General Fund Receipts						100.00%	33,326
						Total Funding:							100.00%	33,326
18-#011	Environmental Spec II	FT	A	GG	Fairbanks	1B	16B	6.0		21,582	417	0	11,327	33,326
Justification:						Funding Detail:								
Implement the National Pollutant Discharge Elimination System (NPDES) wastewater discharge permitting program.						1004	General Fund Receipts						100.00%	33,326
						Total Funding:							100.00%	33,326
18-#012	Environmental Spec I	FT	A	GG	Anchorage	1A	14B	6.0		18,006	348	0	10,296	28,650
Justification:						Funding Detail:								
Implement the National Pollutant Discharge Elimination System (NPDES) wastewater discharge permitting program.						1004	General Fund Receipts						100.00%	28,650
						Total Funding:							100.00%	28,650
18-#013	Environmental Tech II	FT	A	GG	Juneau	1A	12B	6.0		15,804	305	0	9,661	25,770
Justification:						Funding Detail:								
Implement the National Pollutant Discharge Elimination System (NPDES) wastewater discharge permitting program.						1004	General Fund Receipts						100.00%	25,770
						Total Funding:							100.00%	25,770

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column.

Personal Services New Position Detail

HB 153 - FN#4

Department of Environmental Conservation
NPDES Primacy

Scenario: A Scenario for FY2006 Fiscal Notes (4191)
Component: Water Quality (2062)
RDU: Water (210)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range & Steps	Budgeted Months	Split / Annual Count	Annual Salary	COLA	Premium Pay	Annual Benefits	Total Costs
18-#014	Environmental Spec I	FT	A	GG	Fairbanks	1B	14B	6.0		18,726	362	0	10,504	29,592
Justification:						Funding Detail:								
Implement the National Pollutant Discharge Elimination System (NPDES) wastewater discharge permitting program.						1004	General Fund Receipts					100.00%	29,592	
						Total Funding:				100.00%	29,592			
18-#015	Environmental Spec I	FT	A	GG	Juneau	1A	14B	6.0		18,006	348	0	10,296	28,650
Justification:						Funding Detail:								
Implement the National Pollutant Discharge Elimination System (NPDES) wastewater discharge permitting program.						1004	General Fund Receipts					100.00%	28,650	
						Total Funding:				100.00%	28,650			
18-#016	Administrative Clerk II	FT	A	GG	Juneau	1A	8B	6.0		12,414	240	0	8,683	21,337
Justification: No justification provided.						Funding Detail:								
						1004	General Fund Receipts					100.00%	21,337	
						Total Funding:				100.00%	21,337			

Component Summary:

Total New Positions: 13

Fund Description	Fund Percent	Fund Amount
1004 General Fund Receipts	100.00%	411,051
Total Funding:	100.00%	411,051

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column.

**Department of Environmental Conservation
NPDES Primacy
Program Costs**

Cost of a Primacy Program

As directed by Senate Bill 326 enacted by the 22nd Alaska Legislature, DEC looked closely at what a state NPDES program would cost. Based on workload models and comparisons with other states, the report, *State of Alaska's Assumption of the National Pollutant Discharge Elimination System: A Report to the Alaska Legislature* (January 2004), concludes that a program would require an annual budget of \$4.8 million and a staff of 43.

Current Resources

The Department of Environmental Conservation budget currently includes about \$3.3 million and 30 staff devoted to activities that would contribute to the state NPDES permitting program. These positions currently are certifying the NPDES permits issued by EPA as required by the Clean Water Act and issuing state permits for very small discharges that EPA cannot get to.

New Resources

Bridging the gap between current resources (\$3.3 million and 30 positions) and what would be required to operate a state program (\$4.8 million and 43 positions) will require an additional \$1.5 million and 13 new positions.

The additional \$1.5 million will pay the salaries of the 13 new staff along with associated costs such as travel, office supplies, and equipment. These new funds will also cover the cost of legal assistance, professional service contracts, laboratory analyses, and data management.

Sources of Funding

Once the program is fully operating, costs will be divided between state general funds, federal grant funds and permitting fee receipts in these proportions.

- 41% State general funds
- 43% Federal funds
- 16% Permit fee receipts

Since no additional federal grant funds are available under primacy, the incremental \$1.5 million will need to largely come from state general funds. Once the program is operating, DEC expects to collect an additional \$300 thousand each year in permitting fees offsetting some of the general fund demand.

Department of Environmental Conservation
NPDES Primacy
Program Costs

Fee Policy

House Bill 361 was passed by the legislature in 2000. It establishes the state policy for fees charged by resource agencies. In essence, the law provides for charging permitting fees based on direct agency costs. Indirect costs are not included in permitting fees. DEC projects the following distribution of direct and indirect costs associated with the primary functions involved in running the NPDES program at primacy.

Program Administration (10%)

(such as management, policy development, budgeting, work plans, agreements)

- Direct Costs (fees) 0%
- Indirect Costs (GF/Federal) 10%

Program Development (13%)

(such as developing procedures, revising water quality standards, training)

- Direct Costs (fees) 0%
- Indirect Costs (GF/Federal) 13%

Program Implementation (5%)

(such as public education, data quality control, developing guidance)

- Direct Costs (fees) 0%
- Indirect Costs (GF/Federal) 5%

Permitting (30%)

(includes direct costs such as permit development, modification and renewal as well as indirect costs such as providing technical assistance to permittees, responding to third-party appeals, responding to public inquiries)

- Direct Costs (fees) 11%
- Indirect Costs (GF/Federal) 19%

Compliance/Enforcement (25%)

(includes direct costs such as inspections and review of discharge monitoring reports as well as indirect costs such as responding to citizen complaints and compliance assistance)

- Direct Costs (fees) 5%
- Indirect Costs (GF/Federal) 20%

Information Management (17%)

(such as maintaining the permit data system, EPA reporting, developing on-line permit application and reporting systems)

- Direct Costs (fees) 0%
- Indirect Costs (GF/Federal) 17%

Total (100%)

- Direct Costs (fees) 16%
- Indirect Costs (GF/Federal) 84%

**Department of Environmental Conservation
NPDES Primacy
Who is regulated by the NPDES program?**

Background

The Clean Water Act (CWA) requires that all point source discharges to surface waters be permitted under the National Pollutant Discharge Elimination System (NPDES) permit program.

A point source is defined as any confined and discrete conveyance including but not limited to a pipe, ditch, channel, tunnel, or conduit that discharges pollutants.

Number of NPDES Permits

NPDES Permit Statistics for Alaska

	Major Facilities [^]	Minor Facilities	Total Number of Facilities
Authorizations under 13 General Permits*	27	2,105	2,132
Individual Permits	44	111	155
Total	71	2,216	2,287
Unpermitted Facilities**	0	64	64

*A general permit covers a category of similar discharges within a geographical area. Applicants are granted authorization to discharge under the general permit.

**Mostly rural small domestic sewage discharges.

[^]A municipal system that discharges more than 1 million gallons per day, a discharge from an industry on the EPA Industry Ranking Sheet, or a facility that has a pretreatment program

Examples of Major Facilities with NPDES Wastewater Permits

- Pogo Mine
- Trident Seafoods Corp.
- Healy Power Plant
- Conoco Philips Kuparuk Seawater Treatment Plant
- Alyeska Pipeline Valdez Marine Terminal ballast water treatment plant
- Anchorage Asplund Wastewater Treatment Facility (Pt. Woronzof)
- Unisea Inc.

**Department of Environmental Conservation
NPDES Primacy
Who is regulated by the NPDES program?**

Examples of Minor Facilities with NPDES Wastewater Permits

- small suction dredge miners
- stormwater runoff from general construction activities
- Ketchikan Pulp Company landfill leachate
- East Port Frederick log transfer facility
- North Pole Wastewater Treatment Plant
- BP North Slope Oil & Gas Exploration (Liberty 1, Deadhorse)
- Snettisham Salmon Hatchery
- Port of Anchorage Marine Terminal Facility