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Growing Alaska Through Responsible Resource Development

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BREAKFAST MEETING

Thursday, March 15, 2012

1. Call to order –Tom Maloney, President
2. Self Introductions
3. Head table Introductions
4. Staff Report – Rick Rogers, Executive Director
5. Program and Keynote Speaker:

The Susitna-Watana Hydroelectric Project
 Sara Fisher-Goad, Executive Director, Alaska Energy Authority
 Bryan Carey, Project Engineer, Alaska Energy Authority

Upcoming Meetings:

Wednesday, March 28: Make It Meaningful – Rally for Reform Luncheon, Dena'ina Convention Center, 11:30 a.m., see akrdc.org
 Thursday Breakfast, March 29: Chrystia Chudczak, Assistant Commissioner, National Pipeline Agency, Ottawa, Ontario, Canada

Please add my name to RDC's mailing list:

NAME/TITLE: _____

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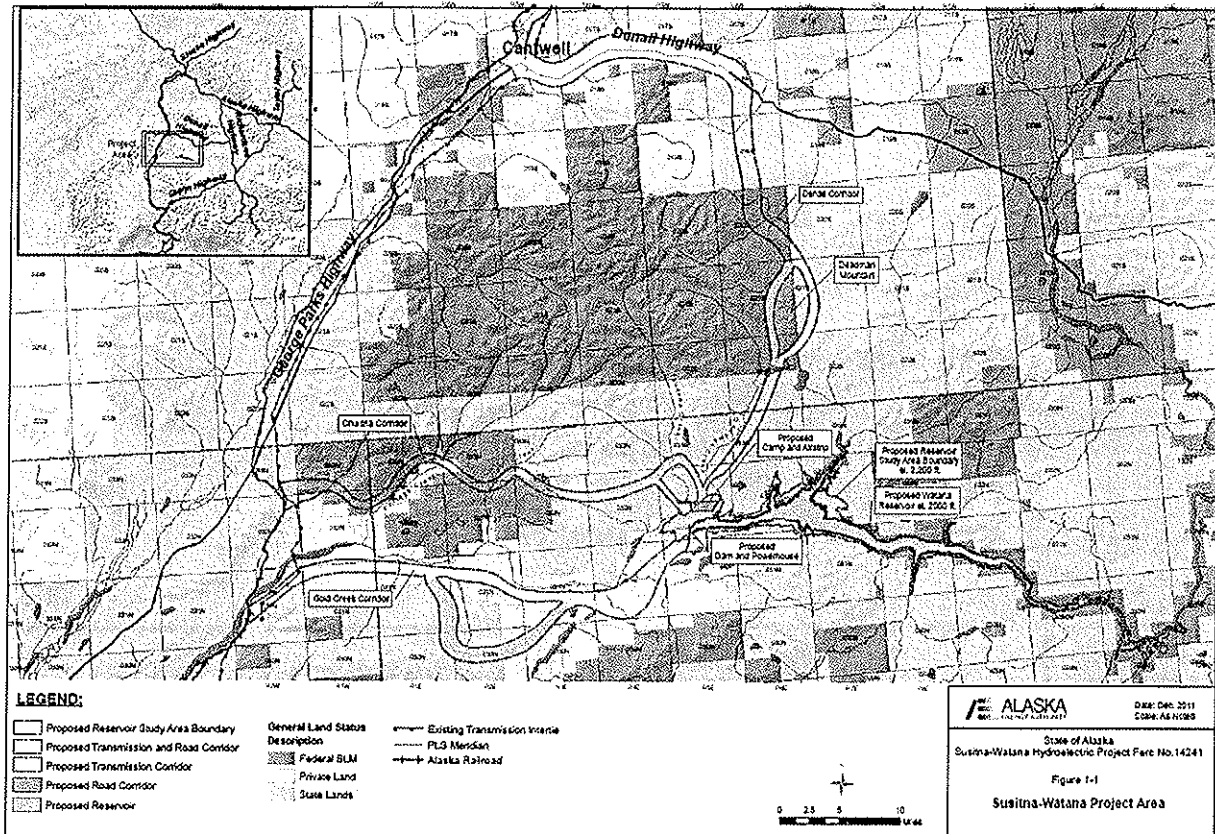
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Ex-Officio Members
 Senator Mark Begich
 Senator Lisa Murkowski
 Congressman Don Young
 Governor Sean Parnell



SUSITNA-WATANA HYDROELECTRIC PROJECT



Project Overview

- Location: river mile 184, above Devils Canyon
- Size: Estimated 700 foot-high dam
- Reservoir: 39 miles long, 2 miles wide (at widest)
- Supply: Nearly 50 percent of Railbelt electrical demand
- Capacity: 600 MW installed capacity, annual average 2,500,000 MWh
- Project life: 100+ years, providing long-term, stable rates
- Sign up for email alerts at Susitna-Watanahydro.org. (Contact Us)

Emily Ford, public outreach liaison
907-771-3961, eford@aidea.org

RDC ACTION ALERT

Susitna Hydro Project Scoping Hearings Scheduled

Deadline for Comment: April 27, 2012

Public Hearings: March 26-29, 2012

Overview:

The Federal Energy Regulatory Commission (FERC) will hold public “scoping meetings” this month for the proposed Susitna-Watana Hydroelectric Project. The meetings are planned for March 27-March 30. They are the first step in a required federal Environmental Impact Statement for the project. FERC is the lead agency on the EIS and will be the agency conducting the hearings. The public scoping process allows for public input so that all pertinent issues, concerns, and opportunities are identified as the environmental review is undertaken. Following the scoping meetings, the next step would be preparation of a draft EIS, followed by a final EIS and Record of Decision. The EIS determines whether, and under what conditions, to issue a license for the project.

On a separate regulatory track, FERC must also issue a federal certificate for the project. The Alaska Energy Authority (AEA) filed a Preliminary Application Document in December and anticipates filing a full license application by 2015 with hopes that the agency can issue the license in 2016 or 2017.

In 2010, the Alaska State Legislature passed legislation outlining a State energy policy. The bill directs the State to receive 50 percent of its electrical generation from renewable and alternative energy sources by 2025. Hydropower, the lowest cost energy for Alaska consumers, currently provides approximately 24 percent of the electrical energy used in Alaska. The only way to achieve the new goal of deriving 50 percent of our electricity from renewable and alternative sources is for a new, large hydroelectric project to be built in the Railbelt region.

The 2010 Legislature provided funding to AEA for the preliminary planning, design, permitting and field work for the Susitna-Watana Project. AEA recommends that the Lower Watana site on the Susitna River should be the primary hydroelectric project for Alaska’s Railbelt. Of the projects examined, Susitna not only has the best chance of being built; AEA believes it will provide cost-effective, reliable, power for the Railbelt at a constant price for decades, and it will help the State meet its recently established long-range goal.

The proposed project would be located approximately halfway between Anchorage and Fairbanks on the upper Susitna River. The Susitna-Watana dam would be located within a steep-sided valley of the Susitna River at 184 miles above the mouth. The single dam would be at the same location below Watana Creek as in the much larger two-dam Susitna project proposed in the 1980s.

The project would have a capacity of 600 megawatts and meet half of the electricity requirements expected in the future for communities now connected to the regional power grid. Construction would get underway in 2017 and under the present schedule it could be in operation by 2023. At its peak, about 1,000 people would be employed in construction, with an additional 2,000 support jobs. The most recent cost estimate is \$4.34 billion.

Action requested:

RDC members are welcome to participate and provide testimony to FERC in support of the project. It is important to communicate your support for the EIS to reinforce the multiple environmental studies that have been completed, and the need for a sustainable and reliable energy source for Railbelt communities and businesses. By arriving at the meeting early, you can sign up to be among the first to speak. Comments may be limited to three to five minutes. Written comments are also accepted online or by mail.

Hearing Schedule:

- 3/26/12: **Anchorage:** Loussac Library, 6-10 pm
- 3/27/12: **Anchorage:** Loussac Library, 9 am-2 pm; **Wasilla:** Menard Sports Center, 6-10 pm
- 3/28/12: **Talkeetna:** Su-Valley Jr/Sr High School, 6-10 pm; **Glennallen:** Caribou Café, 6-10 pm
- 3/29/12: **Fairbanks:** Westmark Hotel, 6-9 pm; **Cantwell:** Cantwell Community Hall, 6-10 pm.

E-file comments: <http://www.ferc.gov/docs-filing/efiling.asp>.

Mail comments: Federal Energy Regulatory Commission , 888 First Street NE, Washington, D.C., 20426.
Reference Susitna-Watana Hydroelectric Project, Docket Number P-14241.

Additional information on the project is available at:

<http://www.susitna-watanahydro.org/Index.html>

Sign up for email alerts on the project: Susitna-Watanahydro.org. (Contact Us)

Benefits of the Susitna-Watana Hydro Project:

- FERC and all permitting agencies should not delay the completion of the environmental review and approval for this sustainable energy infrastructure project. The FERC process provides five years for studies and analysis. Considering the studies performed in the 1980s, this is more than ample time for completing environmental work and monitoring. It is also important to recognize that data analysis for modifying or improving upon environmental enhancement can continue during the five-year construction period. Railbelt energy consumers may be at risk if the project is needlessly delayed.
- The Susitna-Watana Hydroelectric Project will address Railbelt energy uncertainty by providing stable, reliable, long-term power for generations to Alaskans. The benefit of stable energy prices will become more pronounced over time because the fuel that drives hydropower – water – is free.
- The project will diversify the Railbelt's energy portfolio and provide needed security to help our economy resist disruptions caused by potential interruptions in fuel supplies and market fluctuations in energy prices. Price volatility and high cost of electricity is a limiting factor in economic development.
- Alaska cannot achieve the 50 percent renewable energy goal without a project like Susitna-Watana.
- The proposed project is important to economic growth and resource development in Alaska.
- The project will lead to economic benefits, including new business and jobs. Project construction will produce an estimated 1,000 jobs, with an additional 2,000 support jobs. Moreover, it has the potential to expand the economy by attracting new business to the region.
- The certainty of achieving the intended outcome of stable, predictable, lower cost energy is relatively high, considering the abundance of success with hydropower in Alaska, the U.S., and globally. In Alaska, Bradley Lake is now one of the cheapest sources of electricity on the Railbelt, costing about a third less than natural gas. When built in 1991, Bradley Lake hydropower was about twice the cost of natural gas, but gas prices have risen while the cost of Bradley Lake water has not.
- In the US, recent studies by the National Hydropower Association show that hydropower offers the lowest levelized cost of electricity of all major energy sources and costs less than energy efficiency options.
- Once built, hydro projects can last 50-100 years with very low operating costs and without needing major replacement or repairs.
- The Susitna-Watana Project is compatible with, and complimentary to, other forms of energy. The need for natural gas, renewables, and other forms of generation to fill Alaska's energy demand will not go away. For example, natural gas is likely a better source for heating than electricity.
- Multiple studies have demonstrated that once built, hydropower's carbon footprint drops virtually to nothing, and the infrastructure lasts for decades.
- Resource industries in Alaska will benefit from stable, and long-term electrical energy that can be the baseload for economic growth and diversification.
- The project can be safely built in our seismically-active state, just like other major infrastructure and dam projects that are built in earthquake zones around the world.
- The project will include mitigation measures to stabilize Susitna River salmon runs, as well as moose and caribou abundance. In fact, there are opportunities for improvement. At a minimum, the project has the ability to help manage river flows that are favorable to fisheries. The Bradley Lake Hydro Project on the Kenai Peninsula is a model for fish and wildlife abundance and good public policy.
- A recent Hellenthal survey of Alaskan voters showed 60 percent support for the project.

Make It Meaningful Rally for Reform

Your support can help efforts to significantly improve Alaska's oil tax system and investment climate.

Join over a thousand Alaskans including business and community leaders as we Rally for Reform on Wednesday, March 28, 2012

Make It Meaningful Rally for Reform

Legislators in Juneau continue to search for ways to reform Alaska's oil tax system so we can continue producing new and existing oil reserves.

You can help send the message that only meaningful oil tax reform can help turn Alaska's oil production decline around.

Dena'ina Civic & Convention Center,
Third Floor

Doors open at 11:00 am

Luncheon Program begins at 12:00 pm

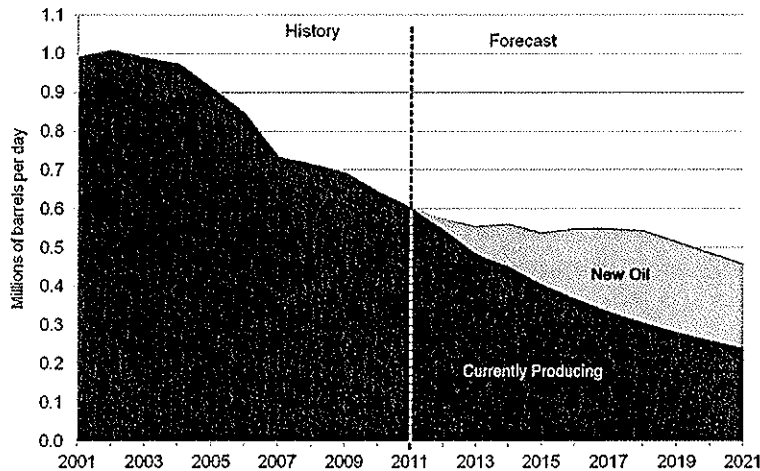
Cost is \$40 per person (tables of ten available for \$400). Prices for this event cover actual costs and will not raise funds for any organization.

REGISTER ONLINE

<http://www.akrdc.org/membership/events/special/>

Rally for Reform proudly sponsored by:

- Alaska Bankers Association
- Alaska Crab Coalition
- Alaska Forest Association
- Alaska Miners Association
- Alaska Oil & Gas Association
- Alaska State Chamber of Commerce
- Alaska Support Industry Alliance
- Alaska Trucking Association
- Anchorage Chamber of Commerce
- Anchorage Economic Development Corporation
- Associated Builders & Contractors
- Consumer Energy Alliance Alaska
- Council of Alaska Producers
- Make Alaska Competitive Coalition
- Prosperity Alaska
- Resource Development Council



Testimony of Resource Development Council for Alaska to
Senate Resource Committee, February 28, 2012
CS SB 192\B

Good afternoon. My name is Rick Rogers, Executive Director of the Resource Development Council for Alaska (RDC). With me today is one of our directors, Mr. Dave Cruz, who will augment RDC's testimony after my comments. RDC is a statewide membership-funded non-profit trade association representing the common interest of the Forestry, Fishing, Tourism, Mining and Oil and Gas industries in Alaska. Our membership is truly a broad cross section of Alaska businesses including the aforementioned industries as well as communities, all twelve Regional Corporations, utilities and support business that recognize the important role resource development plays in our economy.

We are grateful that there will finally be an opportunity for public testimony on this issue tonight, and RDC thanks the committee for this invited testimony today. I have not prepared slides for today's presentation; I suspect members of this committee may be having PowerPoint fatigue.

Today I hope to emphasize the sense of urgency and the broad base of support from RDC membership towards meaningful adjustment to the production tax to achieve a better investment climate in Alaska. Some of the most vocal proponents of production tax reform among our membership are not directly involved in the oil and gas industry. The business community is fearful what continued TAPS throughput decline will do to our economy as a whole.

We are convinced that ACES in its current form is retarding investment and contributing to an accelerating production decline. Alaska is sitting on the edge of a fiscal cliff. A sobering outlook can be found in the Governor's budget, the ten-year budget projection which shows several plausible scenarios with significant budget deficits by 2014.

The Senate appears to be focused on imposing the highest tax politically possible on the producers. Squeezing the last dollar from the productive private sector with an ever-expanding State budget is not going to lead Alaska to a prosperous future. The long-term discussion needs to be how to encourage more production. Taxing ourselves to prosperity is not a strategy. The CS to SB192 will not provide the improved investment climate to change investment behavior and increase production. At least it's an improvement over the prior version that raised the production tax.

Pedro van Meurs, in his presentation to this committee a few weeks ago noted that "standing up for Alaska is politically popular". He also notes "It will be very difficult to introduce such changes in the current somewhat unfavorable climate in Alaska." This is a historic turning point for Alaska, rhetoric characterizing tax reform as a "give away"

that legislators must “stand up to” mischaracterizes the objective; to empower the private sector to increase Alaska's productivity to the ultimate benefit of its citizens. Leadership can explain that to Alaskans. Leadership can explain that a high tide will lift all ships, and that royalties increase only with increased production. Leadership can overcome issues that appear to be very difficult.

I hope that van Meurs' political concerns are overstated and that we don't end up compromising our future for short-term populist opportunism. We want to keep our eyes on the ball and promote legislation that will reverse the decline in TAPS.

RDC is interested in meaningful results that move the needle, slowing and then reversing production decline. As currently drafted CS SB 192\B will not move the needle. PPT and then ACES tripled production taxes since 2005 contributing to an accelerating production decline in spite of robust oil prices. DOR analysis suggests this bill makes little difference compared to ACES. Tripling up while “tweaking” down is not going to result in the investment needed to move the needle to increase investments that will lead to more production.

RDC supports HB110 because it will move the needle. The producers have committed \$5 billion in new investment if meaningful reform such as HB110 passes. The producers are the ones who are making investment decisions. For example, Conoco Phillips Alaska capital investment is flat in Alaska vs. a 104% increase lower-48 (2010-2011). The producers have committed 5 billion of new investment under HB110. I can't envision a rational corporate strategy that would make those types of commitments and then not follow through.

There are lots of ways to build a mousetrap. RDC does not care who gets the credit, or which vehicle gets us across the goal line. We do care that it is substantive, significant, and meets the objective of encouraging private capital to return to the slope.

RDC is glad to see exploration credits, which are working, have not been reduced or removed in SB192. Exploration is an important element, however exploration credits need to be part of a broader approach leading to increases in near term and long term production. When new oil is found we need an investment climate to encourage its production.

In the interest of time I would like to yield my remaining time to RDC board member Dave Cruz, owner of Cruz construction. Mr. Cruz has deferred a trip to the North Slope today in order to convey RDC's sense of urgency regarding meaningful tax reform. Dave is experiencing first hand the effects of a noncompetitive climate for capital investment on the North Slope.

Dave Cruz, a lifelong Alaskan, has been involved in construction and resource development since 1976. Cruz is president and CEO of Cruz Companies, a 31-year-old company based in Palmer. Cruz is a board member of the Resource Development Council for Alaska, Inc., and a board member of Mat-Su Borough's port commission. He has served as president of the Associated General Contractors of Alaska. Cruz supports youth sports and numerous charity organizations in Alaska. RDC is proud that he has agreed to serve on our board and take the time to supplement my testimony today.

Testimony of Dave Cruz , RDC Board

Thirty-six years ago, I graduated from high school and got an opportunity to work on the pipeline. I drove trucks for Fluor and then worked as an equipment operator for Kodiak Oil Field Haulers.

In my R and R's from the North Slope, I helped an older gentleman who was in construction, an independent contractor, and thought, "Hey, I can do this, too." If you're running your own business, you determine your own destiny.

Thirty-one years ago, I launched what is now Cruz Companies, and added a partner in 1983 — my wife, Dana. We currently provide well-paying jobs for 93 people in Alaska and 110 people in North Dakota.

My company builds ice roads and provides drilling support services, tundra transport and mobile camps in Alaska, as well as private and public heavy civil construction — roads and airports and tug and barge services.

Cruz Companies and all the jobs it has generated wouldn't have happened if Alaska didn't have a healthy oil industry.

The oil industry in Alaska isn't healthy now. People in Alaska are losing their jobs because of this. Talented people are moving to other states that offer better opportunities.

Every Alaskan is a stockholder in the oil industry.

Some people believe the oil companies are holding out on us and should suffer. I don't believe that. I think the oil industry provides the foundation for the state's economy, for companies like mine, generating countless direct and indirect jobs. Oil pays for 90 percent of state government. There is not another source of income in our state that is close to being as significant as oil.

Steve Forbes, chair and editor-in-chief of Forbes Media, spoke last month at a meeting of the Anchorage Economic Development Corp. Forbes criticized Alaska's oil-tax structure, saying it was one of the world's worst — second only to North Korea.

RDC Senate Resources February 28, 2012.

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We've lost 18 percent in oil production over the last three years. In that period, I've flown down here to Juneau to talk to a lot of you folks about needing to do something about these oil taxes to get our industry healthy again. House Bill 110 would remedy tax provisions strangling the oil industry here in Alaska. The governor supports that bill and the industry bought into that bill — but nothing has happened in the Senate on this bill since it passed the House in April 2011. The governor, House of Representatives and the oil companies all agree this bill would breathe new life into Alaska's oil industry.

In exchange for lowering taxes, the industry has offered a \$5 billion investment to increase our production. You guys did not move on it. You wanted to study it more. Legislators went to Norway to look at their model when really we needed to go look at the Lower 48's model, which, even during a recession, seems to be working really well.

Here are rig counts from some Lower 48 states that are more competitive because they do not have high oil taxes.

- California, 43 rigs working
- Colorado, 69 rigs working
- New Mexico, 81 rigs working
- Pennsylvania, 105 rigs working
- Louisiana, 139 rigs working
- North Dakota, 187 rigs working
- Oklahoma, 198 rigs working
- Texas, 920 rigs working

And here is Alaska's rig count, as of Friday: 9

Alberta, Canada provides a glimpse of what •could• happen to production here, if you make meaningful changes to our oil tax structure. The industry there was idled in 2009. Drilling support equipment was selling for 50 cents on the dollar. Thousands of people, out of work. The Alberta government adjusted the tax structure to create incentives to bring the industry back. The industry is rebounding — they're going to drill 11,700 wells this year. Seven hundred rigs are operating there now.

There is no comparison between the cost of production in Alaska and the cost in other states. It is very expensive to do business in Alaska. To negotiate a drilling project in Alaska will cost you a couple million dollars and almost a year's time. In North Dakota, you can negotiate a drilling project in a month and actually receive your permit in one week from the state.

Our competition has a road structure, a rail structure and can use private land for their ventures. They don't wait on a pipeline to move oil. They truck it to a gathering center

and rail it to the East Coast every day. They're not trapped in endless mazes of government bureaucracy and buried in paperwork from federal regulators.

Our company in the last five years has provided support on numerous exploration wells — from Glennallen, NPR-A, Kuparuk and the White Hills — and not one well we have worked on has come into production.

In North Dakota, there's a 90 percent chance that a well we work on will be in production within 60 days of when we drill it. In Alaska, that takes years.

In 1974, the largest nongovernment employer was the Southeast Alaska timber industry. Multiple sawmills, two thriving pulp mills, thousands of well-paying jobs...legislated out of business. Market did not shut them down. Legislation shut them down. Regardless of whether it was state or federal, it was politicians who did it.

History tends to repeat itself. Is this the history you're going to create with the oil industry here in Alaska? Until we stop the decline of the oil industry and gain one barrel more than we had yesterday, we might see history repeated in Alaska. Gov. Wally Hickel taught us we can control our destiny here in Alaska. You can change this.

Alaska Oil and Gas Association



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Kara Moriarty, Executive Director

COMMENTS OF THE ALASKA OIL & GAS ASSOCIATION ON SB 192 SENATE RESOURCES COMMITTEE FEBRUARY 28, 2012

Co-Chairmen Paskvan and Wagoner, Members of the Committee: good afternoon. For the record, my name is Kara Moriarty and I'm the Executive Director of the Alaska Oil and Gas Association (AOGA). Thank you for the invitation and opportunity to testify on Senate Bill 192, specifically the Committee Substitute (CS) work draft adopted last Friday, referred to as version "B".

Before I get into the specifics of the bill, I'd like to take a few moments, especially for those watching at home, to describe AOGA, our diverse membership and our process in evaluating public policy proposals before adopting a position.

AOGA is a business trade association whose mission is to foster the long-term viability of the oil and gas industry for the benefit of all Alaskans. We represent 16 member companies that represent the breadth and scope of the industry in Alaska.

Starting in Cook Inlet, we represent companies with both an on-shore and off-shore presence. We represent long-time Cook Inlet employers like Marathon and Tesoro. We also represent two of the newest players in the Inlet, Apache and Hilcorp, as well as XTO who has been producing oil from two traditional platforms for some time.

Geographically, moving to the northeast to Valdez, we represent one of the smallest refineries in the United States, Petro Star and the largest employer in the area, Alyeska Pipeline Service Company.

Moving up the Richardson Highway, we represent three member companies in the Fairbanks/North Pole area; with Petro Star's refinery in North Pole and the refinery operated by Flint Hills. Alyeska also maintains a significant office and workforce in Fairbanks.

We represent companies with interests all across the North Slope, both onshore and offshore, from legacy companies such as BP and ExxonMobil, to the two newest producers, Pioneer and eni petroleum, and the newest explorer, Repsol. Although Chevron divested its assets in Cook Inlet, it still has interests on the North Slope.

Finally, we also represent Shell and Statoil who are focused on developing federal resources.

All told, AOGA's members hold active leases for more than 1.2 million acres of state land. There is little doubt we represent the majority of oil and gas exploration, production, transportation, refining and marketing activities in Alaska.

One of the key purposes of AOGA is to provide a forum for the discussion of matters of general interest to its members, and it is the policy of AOGA that there has to be 100% consensus before any positions are taken on tax policy matters.

AOGA did not support the changes that were made to the production tax system in 2006 and 2007. We believed then and we believe now that the current tax makes Alaska uncompetitive for investment dollars for long-term development and production. All of my member companies, from explorers like Repsol, to refineries like Flint Hills, to producers like Pioneer and BP believe meaningful changes to the tax system are necessary to stem the decline in oil production.

We have been asked to give our opinion of the CS before you and were asked if my member companies believe this will "move the needle" in making Alaska more competitive and a better place to do business.

AOGA does not support this CS. Not one of my member companies believes this work draft results in meaningful reform.

The CS proposes to make very slight changes to the progressivity provisions of the production tax system. One of the most egregious provisions of the current tax is the fact that as the price of oil increases, and as a higher tax is implemented, all prior dollars are taxed at the higher rate. One approach to address this is through a bracketing concept that sets tax rates at different levels as the price increases, so that each level is taxed only once, setting a specific rate for each bracket, thus moderating the impact of higher tax rates.

The CS does nothing meaningful to change this onerous provision, thus continuing an imbalance in the risk-reward investment environment in Alaska. It does not improve Alaska's competitiveness and although we have billions of barrels of reserves, this CS does not create a business climate where the reward can be commensurate with the risk.

The Senate Bi-Partisan Working Group recently issued a press release outlining what the caucus wants from oil reform. In it the caucus stated three things (1) Increased Oil Production, (2) More Jobs for Alaskans, and (3) Sustainable State Revenue Over the Long Term.

We support all three tenets of those goals, but in essence those three items boil down to just one - increased production. Without increased production there is no sustainable revenue. Without increased production and revenue, jobs throughout Alaska are in danger. And as I stated earlier, AOGA does not believe this CS will increase production.

Without bold and meaningful reforms, Alaska's production will continue to decline at a rate that, according to the Office of Management and Budget, creates potential deficits as early as 2015 growing larger in each succeeding year.

From AOGA's perspective we have a production problem that will soon result in a serious revenue problem for the state. In 2006 and 2007 many companies testified that ACES would not attract the investment Alaska needs to change the production curve and you haven't. In fact production is significantly lower today than what Alaska was forecasting when it passed ACES in 2007.

One only needs to look to Cook Inlet for guidance. Co-Chair Wagoner and many members of the Legislature reacted to Cook Inlet production concerns with bold and meaningful tax reforms targeted at making Cook Inlet commercially attractive. By all accounts these reforms have been successful.

Alaska needs to appreciate the North Slope production problem with the same level of concern and react with similar bold and meaningful reforms. The overall government take in Alaska is too high and we have continued to testify and support the components in the Governor's proposal as a first step in providing meaningful reform. Tax policy does affect business decisions, and this CS will not improve my Board members' ability to attract the investment dollars needed to change Alaska's course. The competition for these dollars is real, and we encourage the committee to put Alaska in a better and more competitive position.

Thank you for the opportunity to testify and I'm happy to take any questions the committee may have.

Testimony on SB 159
March 12, 2012
Testimony of Carl Portman, Deputy Director,
Resource Development Council

Good afternoon. My name is Carl Portman Deputy Director of the Resource Development Council. RDC supports Senate Bill 159, which would create the Susitna State Forest over 763,200 acres of state land west of the Parks Highway.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

The Alaska Department of Natural Resources currently manages 9.5 million acres of forest land in the Matanuska and Susitna Valleys. Of this land, timber management is allowed on approximately 2.1 million acres. The remaining land is designated for other uses, including land sales, recreation, water resources, and fish and wildlife habitat. Over 3.1 million acres is protected in legislatively-designated state parks, refuges, and public use areas.

The establishment of the Susitna State Forest would ensure that some land would remain available for long-term forest management. It would allow the Division of Forestry to more actively manage lands and vegetation to promote a variety of forest ages, which in turn would maximize the sustainable supply of timber from the state timber base and provide for more

diverse and healthy habitats for wildlife. In addition, active management would also help reduce wildfire risk.

The Division of Forestry would manage the state forest for a long-term supply of timber to local processors and retain land in state ownership for other multiple uses. An enhanced long-term timber supply would help support the forest products industry, provide fuel for sustainable biomass energy projects, and create new jobs. It would also benefit the recreational sector as the state intends to develop access to the new state forest and encourage a broad range of multiple uses. These multiple uses, including annual timber harvests, would provide important economic opportunities to local communities, businesses, and residents.

It is important to keep in mind that SB 159 would establish a new state forest from state lands presently designated for forest management. The Susitna State Forest would be managed consistent with the management intent under the current Susitna Matanuska and the Southeast Susitna Area Plans. Alaska's Forest Resources Practices Act would apply to management activities on the forest and is designed to protect both fish habitat and water quality.

RDC supports SB 159 and believes the proposed state forest will be of much benefit to the local economy – creating and sustaining much needed jobs in the forest products industry while providing many other opportunities. We urge the committee to pass SB 159.



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March 7, 2012

Public Comments Processing
Attn: FWS-R9-ES-2011-0031
Division of Policy and Directives Management
US Fish and Wildlife Service
4401 North Fairfax Drive, MS 2042
Arlington, VA 22203

Re: Draft Policy on Interpretation of the Phrase "Significant Portion of its Range" in the Endangered Species Act's Definitions of "Endangered Species and "Threatened Species" (76 Fed. Reg. 76987).

To Whom it May Concern:

On behalf of the Resource Development Council for Alaska, Inc., (RDC), I am writing to provide comments on the joint NMFA, FWS policy proposal regarding the interpretation of "significant portion of range" as it applies to implementation of the Endangered Species Act (ESA).

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

RDC members are significantly and directly impacted by the implementation of the ESA. The preponderance of recent and pending listings of species and distinct population segments in Alaska is compounding the challenges of responsibly developing and appropriately managing the natural resources of Alaska that are critical to Alaska's economy, national security, and the general welfare of the people of Alaska.

The implications of the draft policy are complex and profound. RDC's comments are admittedly brief, however as a member of the Western Business Roundtable (WBR), a signatory to the National Endangered Species Act Reform Coalition (NESARC), we endorse NESARC's more detailed and exhaustive comments by reference and fully support the position of NESARC with respect to this draft policy. It is only through such coalitions that organizations like RDC can provide meaningful comments to the seemingly endless array of policy directives, guidance documents, and rulemakings coming from a multitude of federal agencies.

The Policy Inappropriately Applies Protections Across the Entire Species Range When Only a Significant Portion of its Range Warrants Protections

The Services admit that listing a species throughout its entire range when the species is at risk in only a portion of its range, "may lead to application of protections of the ESA in areas in which a species is not currently endangered or threatened." Such an admission begs for a more rationale approach. Imposing additional burdens on commerce, communities, landowners and industry for no public benefit cannot be aligned with congressional intent for protecting species and in the long term can only serve to undermine public support for species protections afforded by the ESA.

Such an approach flies in the face of this administration's stated goals for more regulatory efficiency, increased domestic energy production, and economic recovery and job creation. In a February 28 memorandum to the Secretary of the Interior, (regarding Proposed Revised Habitat for the Spotted Owl: Minimizing Regulatory Burdens), President Obama stresses the importance of ensuring that regulatory burdens maximize net benefits.

Executive Order 13563 of January 18, 2011 (Improving Regulation and Regulatory Review), explicitly states that our "regulatory system must protect public health, welfare, safety, and our environment while promoting economic growth, innovation, competitiveness, and job creation" (emphasis added). Consistent with this mandate, Executive Order 13563 requires agencies to tailor "regulations to impose the least burden on society, consistent with obtaining regulatory objectives" (emphasis added). Executive Order 13563 also requires agencies to "identify and consider regulatory approaches that reduce burdens and maintain flexibility and freedom of choice" while selecting "those approaches that maximize net benefits." To the extent permitted by law, our regulatory system must respect these requirements.

Undoubtedly, more flexibility in limiting listings so that they apply only to the significant portion of the range where the species is at risk can be applied. We urge the Services to fully reconsider this aspect of the policy in full context to the congressional record, which supports a more rational approach including application of the Secretary's discretion.

RDC believes that this finding leads to unwarranted species protections that are likely to flow from the policy is a fatal flaw in this proposal. The notion that the ESA ties the Services hands to impose protections that provide no additional benefit (application of protections of the ESA in areas in which a species is not currently endangered or threatened) is indefensible. Such a rigid inflexible policy cannot pass an objective evaluation of the legislative history, the act's purposes, past agency practice, the text of the statute, or judicial precedent.

With regard to judicial precedent, the draft policy points to two district court decisions supporting the policy while ignoring two appellate court decisions to the contrary. To conclude that the draft policy is fully consistent with and required by judicial precedent is incorrect. The service does not have its hands tied; it can implement a policy that does not require the irrational imposition of protections with no meaningful value. To continue with the policy as proposed will further erode public confidence in and support of the ESA, to the possible long-term detriment of the species the Act was created to protect.

It is Appropriate that the Policy Sets a Very High bar for "Significant" and Appropriately Defines "Significant Portion of its Range"

The Service appropriately uses an existing biological inquiry that sets a relatively high bar for determining that a portion of the species range is significant. Other metrics, such as a percentage of its range, would likely run counter to evaluation on the individual basis for the species of concern.

The Services Appropriately Limit Range to the Existing Range at Time of Status Determination

The identification of what constitutes a significant portion of a species range is a narrower inquiry than a listing determination and should only be looking at areas that are presently occupied by the species. The definition as proposed applies biological considerations to the definition of "significant portion of its range". The definition provides a test to determine whether a portion of the species range is significant by giving consideration as to whether the species would be in danger of extinction without the contribution of the portion of the range. It is critical that this determination is made independent of a listing determination.

The Services Proposed Relationship with Regard to Significant Portion of its Range and Distinct Population Segment is Correct

Distinct Population Segments (DPS) are the smallest division of a species that can be protected under the Act. Where there is a valid DPS, the proposed policy defers a listing to that DPS rather than imposing a listing for the entire species or a significant portion of range. The Services approach appropriately ensures that in such circumstances a species will only be protected where necessary, however it is worded to suggest such an approach is discretionary. This should be modified to require the Services to determine whether a proposed SPR is encompassed by a DPS. This does not solve the fatal flaw discussed at page two of these comments where there is no DPS determination, yet the entire range of a species may be listed when only a significant portion of its range warrants protections.

Conclusion

In conclusion, RDC supports the draft policy definition of a significant portion of a species range to include only current range, not historic range; to define significant and significant portion of its range with a high threshold based on biologic considerations; and in cases where a DPS is determined, to defer a listing to that DPS rather than imposing a listing for a significant portion of range.

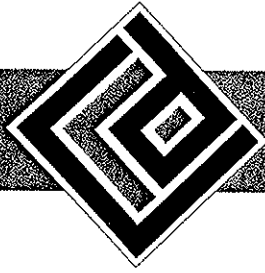
RDC strongly objects to the listing of a species throughout its entire range, rather than looking to the significant portion of its range where the species is actually at risk. By its own admission, the Services state that such an application "...in some circumstances may lead to the expenditure of resource without concomitant benefits". (76 Federal Register, 76992). Such an approach flies in the face of common sense and is clearly an indefensible burden imposed on the citizenry, with no added benefit the viability of the species.

RDC appreciates the opportunity to comment on this important policy.

Sincerely,



Rick Rogers
Executive Director
Resource Development Council for Alaska



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March 6, 2012

Mr. Richard Parkin
Environmental Protection Agency Region 10
1200 Sixth Ave Suite 900
Seattle, WA 98101

Re: Bristol Bay Watershed Assessment

Dear Mr. Parkin:

The Resource Development Council for Alaska, Inc. (RDC) writes to request an extension of at least 60 days to the nomination period for submitting qualified experts to the Bristol Bay Assessment peer review panel.

RDC is a statewide business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism and fisheries industries. RDC's membership includes Alaska Native Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

While we recognize your recent time extension of one week, moving the deadline from March 9 to March 16, 2012 still leaves insufficient time to identify the caliber of candidates that should be considered for such a highly technical assessment.

An assessment of the Bristol Bay watershed should be nothing if not thorough. The findings of this assessment should be based on extensive study and sound science, as the EPA is expected to base key decisions about mining in Bristol Bay upon the outcome. Therefore, it is imperative the peer review panel be a representation of all stakeholders and consist of knowledgeable, well-qualified persons. The short nominating period hampers the ability to present such persons, and therefore should be extended.

If the EPA is unwilling to further extend the nomination deadline, RDC will attempt to provide nominations for the panel within the allotted time.

Additionally, RDC is concerned the EPA is conducting the assessment to pre-empt a project in the area (the Pebble Mine) that has not yet applied for any development permits. The permitting process already in place is not done in haste, but is stringent and thorough. One of RDC's top priorities is to promote and defend the integrity of the permitting process and advocate for predictable, timely, and efficient state and federal permitting processes based on sound science and economic feasibility. The hurried assembly of a review panel is irresponsible for a project of such magnitude, and undermines a diligent process already in place.

Thank you for considering RDC's concerns on this important issue.

Sincerely,

Rick Rogers
Executive Director

Cc: Dennis McLerran, Region 10 Administrator



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March 5, 2012

Senator Dennis Egan, Chair
Senate Labor and Commerce Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Re: HB 168, Injunctive Security: Industrial Operations

Dear Senator Egan:

Thank you for scheduling the first reading of HB 168, Injunctive Security for Industrial Operations, last week. RDC appreciates the scheduling of this bill and we recognize the many other issues demanding the committee's time. Because your plans for public testimony on the bill were frustrated by a full agenda, I am providing the following written support for this bill at this time.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

One of RDC's top legislative priorities is to support efforts to bring more accountability to the appeals and litigation process for community and resource development projects. HB 168 makes progress in this regard by ensuring opponents to projects have some "skin in the game."

Under current law plaintiffs have little incentive not to file lawsuits and appeals and seek injunctions to stop development projects. Seeking injunctions costs plaintiffs very little while the project sponsors endure the high costs of uncertainty and delay. The discovery phase in these types of cases can cost hundreds of thousands of dollars to the State and project proponents. Even when projects are not enjoined, the uncertainty of litigation can effectively stop progress on projects.

It is not just the project sponsor who is adversely affected by these injunctions. The employees of project sponsors, contractors, and their employees often are burdened



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with the direct and immediate impacts of a stay on a permit, which causes construction and development to shut down. Often those hurt the most are workers and their families, because when projects are enjoined, workers are often laid off. Under existing law, judges have not required opponents of developing Alaska's resources to post bonds or other security to cover the economic harm to the project and to the workforce caused by parties seeking injunctions.

HB 168 does not limit the ability of citizens to sue. What it does do is require a bond in those cases where an injunction is requested before the case is adjudicated. HB168 strikes an appropriate balance by removing incentives for filing ideologically based challenges designed simply to delay projects while still preserving the right to bring meritorious challenges.

Examples of ideologically based challenges abound throughout Alaska. Last week I visited with the Alaska Forest Association and it caused me to reflect on whether the timber industry in Southeast Alaska would be in better shape today if a bond had been required before the scores of timber sales had been appealed resulting in stays and injunctions. That industry has been decimated by endless appeals and litigation over federal timber sales. The headlines just last week included yet more legal challenges that may further delay exploratory drilling in the Alaska OCS, drilling that has yet to occur on leases sold in 2008. Litigation in the arctic OCS is delaying the State's goal to increase throughput in TAPS through new OCS development. While many of these cases are in federal jurisdiction, litigation in State court is also common and is likely to increase with the primacy assumed over water program.

The ability of project proponents to weather the storm of an unfounded stay of activities varies based on project economics and the strength of the balance sheets of those developing the projects. A worker who loses employment because of a court ordered stay might not have the lasting power to wait out what are often lengthy legal proceedings. It is fitting that this bill was referred to the Labor and Commerce committee, as both labor and commerce will benefit from its passage. HB168 can provide some accountability to mitigate disruption of commerce while protecting the interests of workers engaged in projects that may be subject to ideologically based challenges.

RDC appreciates the Labor and Commerce Committee hearing this bill and encourages the committee to pass this bill from committee as soon as possible.

Regards,

Rick Rogers, Executive Director
Resource Development Council for Alaska

cc: Representative Feige



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March 12, 2012

Co-Chairs Feige and Seaton
House Resources Committee
Alaska State Legislature
State Capitol Building
Juneau, AK 99801

Re: House Resources Hearing on CS HB 276 – Oil and Gas Tax Credits

Dear Co-Chairs Feige and Seaton and Members of House Resources:

The Resource Development Council (RDC) writes to express support for CS HB 276, oil and gas tax credits in areas south of the Brooks Range to outside the Cook Inlet basin, including the Nenana and Selawik basins.

RDC is a statewide business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism and fisheries industries. RDC's membership includes Alaska Native Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

RDC supports the much needed development of oil and gas resources in Interior and western Alaska, regions that relies heavily on high priced heating fuel. Much of the area under consideration is near existing infrastructure, and Fairbanks, which could be a practical market for the oil and gas.

Not only is it a top priority for RDC to advocate for tax policy and incentives that enhance the State of Alaska's competitiveness for all industries, but also to support measures to reverse the Alaska oil and gas production decline. This includes legislation that results in new exploration and development.

Additionally, oil and gas exploration and production in Interior and rural Alaska would provide other benefits, such as new, well-paying jobs, and increased tax and royalty income to the state.

Thank you for the opportunity to comment.

Sincerely,

Marleanna Hall
Projects Coordinator
Resource Development Council



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February 28, 2012

Chairman Olson
Senate Community and Regional Affairs Committee
Alaska State Legislature
State Capitol Room 508
Juneau, AK 99801

Re: SB152 Legislative Approval of Bristol Bay Sulfide Mine

Dear Senator Olson:

The Resource Development Council for Alaska (RDC) is writing in strong opposition to SB152, a bill requiring legislative approval of any sulfide mine within the Bristol Bay region.

RDC is an Alaskan business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism, and fisheries industries. Our membership includes all of the Alaska Native Regional Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to expand the state's economic base through the responsible development of our natural resources.

One of RDC's top legislative priorities is to encourage the state to promote and defend the integrity of Alaska's permitting process and advocate for predictable, timely, and efficient state and federal permitting processes based on sound science and economic feasibility. This bill does just the opposite. SB152 sets a terrible precedent by effectively usurping the permitting authority of state agencies, creating uncertainty for companies that are both investing and contemplating investment in Alaska. It sends a message that the Alaskan Legislature does not trust the rigorous, science-based permitting process that is in place. Sadly, even hearing a bill such as this could elicit such feelings.

We urge each of the members to send a message that Alaska is open for business and not pass this bill out of committee. Thank you for your consideration of our comments.

Sincerely,

Rick Rogers
Executive Director

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Membership Form

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Silver	\$750	\$150
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