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Growing Alaska Through Responsible Resource Development

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BREAKFAST MEETING

Thursday, March 29, 2012

1. Call to order – Phil Cochrane, Senior Vice President
2. Self Introductions
3. Head table Introductions
4. Staff Report: Marleanna Hall, Projects Coordinator
5. Program and Keynote Speaker:

***Ready, Engaged and Leading: Canada and the Alaska
Highway Gas Pipeline***

Chrystia Chudczak, Assistant Commissioner,
National Pipeline Agency, Ottawa, Canada

Next Meeting: April 5:

Doug Ward, Director, Shipyard Development, Alaska Ship and Dry Dock, LLC

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Rally in Fairbanks calls for lowering Alaska's oil tax to boost production

by Dorothy Chomicz / dchomicz@newsminer.com

03.27.12 - 11:22 pm



FAIRBANKS — More than 200 people attended a rally in Fairbanks Tuesday to support lowering state oil taxes to encourage more production.

The Make it Meaningful Rally for Reform was organized by the Greater Fairbanks Chamber of Commerce and held at the Carlson Center. Alaska Oil and Gas Association Executive Director Kara Moriarty and several others spoke about the decline of Alaska's oil production. Attendees were urged to fill out comment cards and contact their state legislators to



pledge their support for substantial, or "meaningful," oil tax reform.

"Production has declined over 150,000 barrels per day over the last four years, and North Dakota is on pace to out-produce Alaska, maybe even by the end of this year. That is unacceptable," Jim Placquet of Operating Engineers 302 said. "Every Alaskan is in the oil business, and we are feeling the effects of the oil companies' lack of investment in our state. Juneau needs to make it meaningful, and they need to make it meaningful today."

Tax reform proponents argue that the current system, Alaska's Clear and Equitable Share, is a key impediment to oil exploration and production because it is a highly progressive tax, meaning oil taxes increase rapidly as the price of oil goes up. Republican Gov. Sean Parnell proposed a plan last year that would have cut oil taxes substantially. It passed the state House but not the Senate. The Senate is now considering a new plan, Senate Bill 192, which would lower oil taxes but not to the extent that Parnell's plan would.

"We have a production problem. It's not a math problem — it's a production problem," Moriarty said.

When ACES was passed in 2007, oil production decline was forecast at 46,000 barrels per day for the next five years, she said. The fact that oil production has actually declined at 150,000 barrels per day since 2007 is proof that higher taxes are discouraging oil company investment, she said.

"In my mind, ACES is not working," Moriarty said.

Dale Pittman, production manager for Exxon Mobil, assured the crowd that Alaska is still critically important to his company and said Alaska needs to think long term.

“The resource potential is there, but it’s a big investment,” Pittman said. “Increasing those production rates is going to be a direct result of sound policies and good decisions that we all make today. Policies need to result in a competitive, predictable fiscal environment that’s going to encourage that long-term investment that the state needs. That’s true for both new fields and also our existing fields.”

Alaska is at a critical point, but most Alaskans don’t realize it, according to John Minge, president of BP Alaska.

“The easy oil’s gone. The stuff that takes fewer dollars and you get more barrels? Done. But that doesn’t mean there isn’t great opportunity,” Minge said. “There’s a pipeline that’s only working at a third of the capacity it could be. You’ve got a great contracting and business community that can actually do the work. You’ve got lots of resource opportunities, you’ve got really really high prices, Everywhere else you have those four things in the world — in the world — the business is booming, booming, booming.”

Alaska’s prospects are bleak if the oil tax structure is not changed, according to Minge.

“The single biggest reason we’re not booming is ACES. I can promise you, the future is guaranteed, with ACES, what’s going to happen. It is guaranteed that we’ll have 6 percent to 8 percent decline until we go out of business,” Minge said.

Todd Abbott, president of Pioneer Natural Resources — the first independent oil company on the North Slope — said Alaska is not competitive under the current tax structure. In Alaska, an added incentive is needed to compete with states such as Texas that yield a superior economic return, according to Abbott.

“They’re easy to get to, you can drill year round, it’s warm weather, it’s a very robust service industry. It’s low risk, it’s quick turn” Abbott said. “When I stack those projects up against projects from Alaska, it’s very hard to justify spending money here when you can spend that money somewhere else for a better return.”

A similar, larger rally is planned in Anchorage today and will include Parnell and former Democratic Gov. Tony Knowles.

Contact staff writer Dorothy Chomicz at 459-7590.

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MEANINGFUL TAX REFORM

Charting a Course Toward One Million Barrels of Daily Production

► The Goal: One Million Barrels a Day

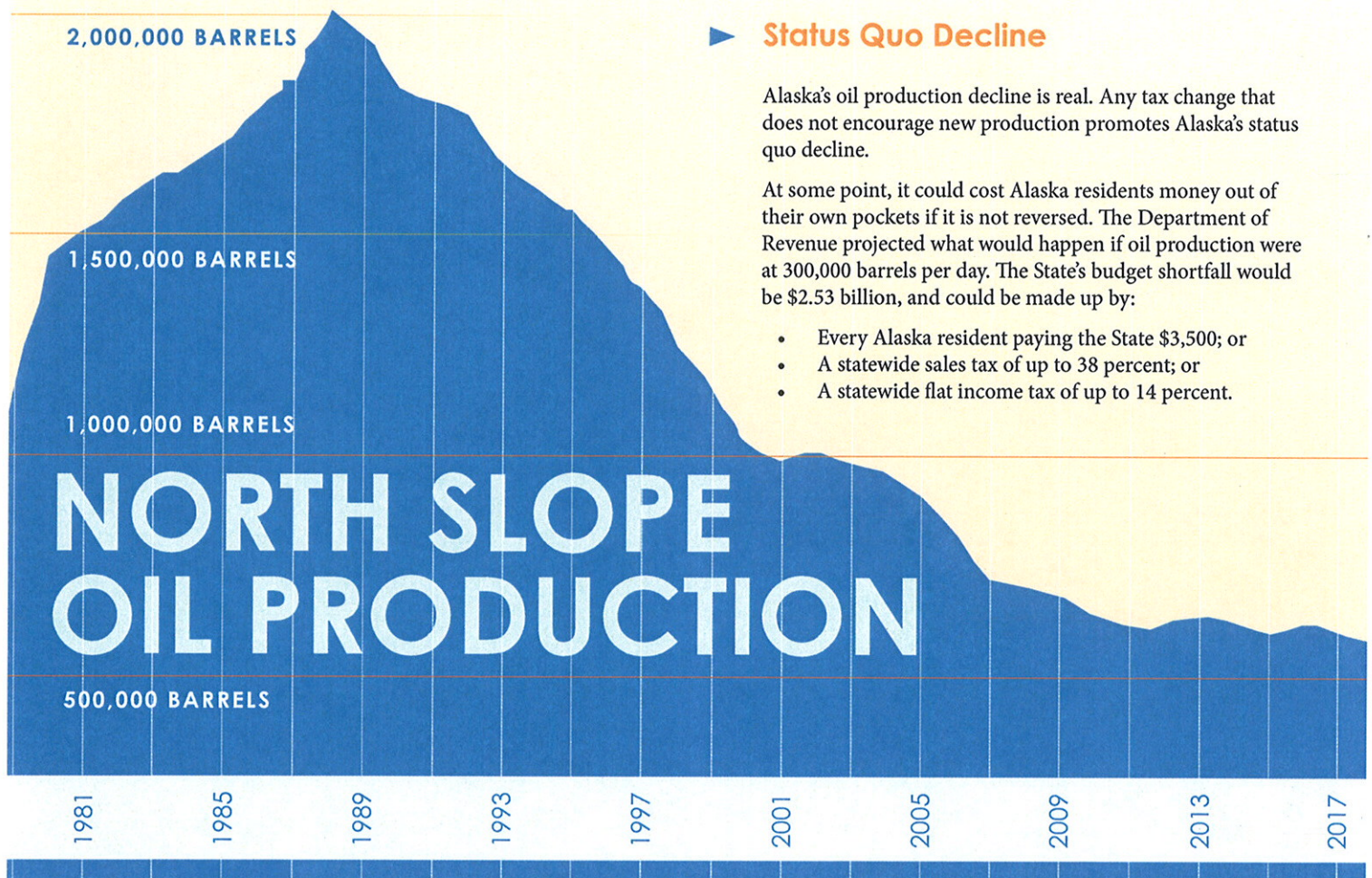
Nearly 90 percent of the State's general fund comes from oil production revenue; money that goes to Alaska communities for schools, public safety, roads, ferries, health care, energy costs, and energy projects. Oil production is on a steady decline, nearly six percent annually, and soon that will mean fewer opportunities for Alaskans and less financial support for our cities, towns, and villages. Where 2.1 million barrels a day once flowed through the Trans Alaska Pipeline System, today it's closer to 600,000 daily. Billions of barrels remain beneath the surface. The key is to unlock it, and Governor Sean Parnell set a goal: one million barrels per day within 10 years, a level that can sustain our economy for the future.

When the State Legislature approved the current tax system in November 2007, about 750,000 barrels of oil flowed through the pipeline per day. Today, that total stands at nearly 600,000 per day, and soon will dip below that level – for good. **If we continue to accept oil production decline, then we accept Alaska's decline.**

► A Five-Point Plan to Get There

How does Alaska get to one million barrels per day? The Parnell Administration's plan to get us there is as follows:

1. **Game-changing oil tax reform** that boosts production investment into legacy fields and smaller pools of conventional oil while growing exploration. This is the cornerstone of the plan.
2. Ensure the **permitting process** becomes more predictable and efficient.
3. Facilitate future phases of North Slope development, including untapped resources from federal onshore and offshore areas, heavy oil and shale oil. This calls for **new infrastructure**, including the proposed road to the petroleum-rich Umiat area.
4. Build **partnerships** with key stakeholders. Establish a council made up of industry leaders, members of State government and other entities to lead Alaska's efforts in working with the federal government.
5. Boost the nation's awareness of how Alaska is crucial to **America's energy security and energy independence.**



► Status Quo Decline

Alaska's oil production decline is real. Any tax change that does not encourage new production promotes Alaska's status quo decline.

At some point, it could cost Alaska residents money out of their own pockets if it is not reversed. The Department of Revenue projected what would happen if oil production were at 300,000 barrels per day. The State's budget shortfall would be \$2.53 billion, and could be made up by:

- Every Alaska resident paying the State \$3,500; or
- A statewide sales tax of up to 38 percent; or
- A statewide flat income tax of up to 14 percent.

► We Are Missing Out

Alaska is missing out on an oil boom enjoyed in other North American regions. While we continue piling on taxes at high oil prices, other regions are experiencing an investment boom and new production.

- Texas, which has been producing oil since the turn of the 20th century, has begun reversing a production decline that lasted nearly three decades.
- North Dakota is ready to overtake Alaska as the No. 2 oil-producing state while enjoying one of the nation's lowest unemployment rates.
- Alberta mirrored Alaska's 2007 government take increase, then it pulled back higher royalty rates and watched investment return and production climb.
- Meanwhile, Alaska's oil production decline continues.

► Meaningful Tax Reform

What will oil tax reform get Alaskans?

Already two of the state's North Slope operators – Conoco Phillips and BP – have collectively pledged \$5 billion of additional new investment toward production if the Legislature approves game-changing tax reform such as that introduced by Governor Parnell.

This substantial new investment level produces jobs for welders, accountants, graphic designers, engineers – jobs in numerous fields across many communities statewide. No other proposal has generated investment commitments.

At higher oil prices, Alaska is no longer competitive enough to attract new production investment. Tax reform must be meaningful – the kind of legislation that moves the production needle. It cannot be a tweak; it must change investment behavior.



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SEAN PARNELL

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Testimony of Resource Development Council for Alaska to
Senate Finance Committee,
Regarding CSSB192(RES)
March 16, 2012

Good morning Co-Chairs Stedman and Hoffman and members of the committee. My name is Rick Rogers, Executive Director of the Resource Development Council for Alaska (RDC). 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 Alaska Native Regional Corporations, organized labor, utilities and support business that recognize the important role resource development plays in our economy.

RDC thanks the committee for this invited testimony. I regret being unable to be with you today in Juneau, and appreciate the LIO and staff facilitating testimony from Anchorage. I have prepared no slides for today's presentation.

RDC is appreciative of this committee's recognition of the need to improve the investment climate in Alaska's oil and gas industry to stem TAPS throughput decline. 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 more attractive 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 that shows several plausible scenarios with significant budget deficits by 2014. While meaningful tax reform will result in short-term revenue decline, long term it is imperative that we sacrifice some short-term tax revenues to reinvigorate production. From the RDC perspective, this is about acting in the long-term interest of Alaskans.

The long-term discussion needs to be how to encourage more production. Taxing ourselves to prosperity is not a strategy. The CS to SB192 as currently drafted will not provide the improved business climate that results in the investment needed to increase production.

- The changes to the progressivity formula in CSSB192(RES) are insufficient to change investment behavior. RDC has heard this from both industry and the Department of Revenue.
- The allowances for new production in the bill have minimal impact, approximately \$25 million per year according to the Department of Revenue March 14 testimony to this committee.
- The gross minimum tax is a tax increase of up to \$400 million per year at \$40 oil and according to the bill's sponsor statement this is a tax increase at prices up to \$70/bbl. We cannot expect tax increases to stimulate investment.

This is a historic turning point for Alaska. Rhetoric characterizing tax reform as a "give away" that legislators must "stand up to" unfortunately mischaracterizes the objective. The Senate Finance Committee is faced with making tough choices necessary to empower the private sector to increase Alaska's productivity to the ultimate benefit of its citizens. We are looking to the Senate Finance committee to provide the leadership necessary to make meaningful reforms that will result in needed investment and resulting production.

Ironically as currently drafted the bill is a giveaway because it will not increase production, which I think we all agree is the ultimate objective. RDC is interested in meaningful results that move the needle, slowing and then reversing production decline. As currently drafted CSSB192(RES) 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.

Some have suggested meaningful tax reform that really makes a difference to the investment climate is somehow inconsistent with Title 8 of Alaska's constitution. I do

not recall Governors Hammond, Sheffield, Cooper, Hickel, Knowles or Murkowski being accused of failing to uphold Alaska's constitution when they had far lower oil and gas production taxes than we do today. These governors presided under more balanced fiscal regimes, and RDC encourages this legislature to return to a more balanced fiscal regime for the mutual benefit of Alaska and the industry. This is not to suggest we support going back to the economic limit factor (ELF), but clearly we need something far more substantive than CSSB192(RES) as currently drafted.

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, and they have said that \$5 billion is just a start. While some have criticized the validity of those commitments, I cannot envision a rational corporate strategy that would make those types of commitments and then not follow through.

Investment decisions are made based on a multitude of variables, few of which the Alaska Legislature has any control over. Alaska is one of the highest-cost jurisdictions in the world. Alaska has immense challenges due to limited infrastructure, federal jurisdiction over wetlands, limited drilling seasons and other hurdles. Companies need to assess project economics on all these variables, and burdening production with taxes that are too high has discouraged investment. We should be in a boom of investment at \$120 oil, but we are seeing flat investment and an associated accelerating decline curve. For example, Conoco Phillips Alaska capital investment is flat in Alaska vs. a 104% increase in the Lower-48 (2010-2011).

I understand the Senate has rejected HB110 and has chosen a different path. RDC does not care which legislative 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 North Slope. The legislature is setting the stage for Alaska's future. Will it be a future of accelerating declines or a flattening decline curve and eventually increased production? If SB192 is the vehicle of choice, it needs far more meaningful adjustments to progressivity or adjustments to other "levers" to approximate a revenue curve more in keeping with HB110.

RDC is glad that exploration credits, which are working, have not been reduced or removed in CSSB192(RES). 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.

Geology, federal regulatory oversight, remoteness, high costs, short drilling seasons, and volatile commodity prices are all out of the State's control. The bottom line is tax policy is one of the few variables in the oil and gas business that the State can control. We are going to get what we ask for. If we continue with a policy that discourages investment and directs it elsewhere, Alaskan's better start battening down the hatches as we are entering a very dark time for Alaska's economy that I fear it will make the 80's look like a walk in the park.

A better approach is to make substantive changes that result in compelling fiscal terms leading to robust activity to slow and reverse the production decline. This discussion is about what is best for Alaska, not what is best for the oil and gas industry. The oil and gas industry has the capacity to do great things in Alaska; we need to set the stage and turn it loose. We did not get to 16.5 billion barrels of production by being timid. It's time for some bold action to get Alaska back on track.

The producers are the ones making the investments. There are many places for the industry to invest and Alaska does have to compete. Consultants can offer helpful direction, but the companies at the end of the day are the ones making the investments. Please listen to them and take to heart the criteria that companies look at when deciding where to invest.

Thank you Chairman and members of the committee for hearing from RDC on this most important issue for Alaska's future.



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March 28, 2012

Co-Chairs Paskvan and Wagoner
Senate Resources Committee
Alaska State Legislature
State Capitol Building
Juneau, AK 99801

Re: Senate Resources Hearing on CS SB 145 – Oil and Gas Tax Credits

Dear Co-Chairs Paskvan and Wagoner, and Members of Senate Resources:

The Resource Development Council (RDC) writes to express support for CS SB 145, oil and gas tax credits in areas south of 68 degrees North latitude, 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 rely 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



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

March 28, 2012

National Ocean Council
722 Jackson Place, NW
Washington, DC 20503

Submitted via <http://www.whitehouse.gov>

Re: Comments on the National Ocean Policy Draft Implementation Plan

Dear National Ocean Council Members:

Thank you for the opportunity to comment on the National Ocean Policy Draft Implementation Plan (Draft Plan).

The Resource Development Council for Alaska, Inc., is an Alaskan 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 has submitted comments regarding the plan on several occasions, and again urges the National Ocean Council (NOC) to fully consider the following concerns regarding the Draft Plan:

RDC is concerned with the potential negative impacts National Ocean Policy will have on Alaskan communities and projects. The Draft Plan includes 53 actions and almost 300 benchmarks, of which more than half are supposed to be completed by the end of 2013.

This plan places additional burden and uncertainty on Alaskans, threatening to further restrict our ability to access and responsibly develop our natural resources. Alaska has the highest interest in protecting and ensuring the protection of our coastal and marine resources. These resources are vital to Alaska's economy. Alaska, and the U.S., can benefit from our largely untapped resources such as the estimated 27 billion barrels of oil and the 132 trillion cubic feet of natural gas in the Outer Continental Shelf. But development of these resources must not be further restricted or further hindered by unnecessary bureaucratic delay.

In part, Alaska was granted statehood due to our vast natural resources, the federal government expected Alaska to utilize its natural resources to build and sustain its economy. Note that Alaska's constitution includes, "It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public

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interest.” But, we must have access to our resources, and avoid uncertainty and unnecessary regulations that offer no added benefit to the environment.

In regard to public policy, RDC questions how the policy can proceed without Congressional authorization. Implementation of the Plan will likely cost a considerable amount of federal dollars and adds another level of bureaucracy to our already highly regulated and protected oceans and surrounding areas. The Draft Plan’s national objectives should focus on reducing unnecessary measures and improving existing programs and policy.

In response to the recent announcement to include a seat on the Regional Planning Bodies (RPB) for a member of the Regional Fishery Management Councils (RFMC), RDC is disappointed in the limiting factor that the individual must be a government representative. This continued refusal to include stakeholders outside of government reflects the lack of consideration for all other stakeholders. Additionally, RDC remains concerned that the authorities of the RFMCs to manage fisheries will be undermined by the actions of the Regional Planning Bodies. Having a single seat on the RPB does not mitigate this concern.

Coastal and Marine Spatial Planning

RDC continues to be concerned with the NOC’s goal to develop Coastal and Marine Spatial Planning (CMSP). RDC reiterates our previous recommendation to use areas interested in and supportive of CMSP as pilot projects. CMSP should not be enforced by the federal government in areas which are already well managed and where it is unsolicited.

Further, the Handbook for Regional CMSP should be subject to public input, review, and comment. All stakeholders should have the opportunity to be engaged, and all science, including that of industry, should be used to develop any policy. CMSP should be transparent and should demonstrate exactly what the program is expected to achieve, how such actions will be achieved, and who has authority to make related decisions.

Changing Conditions in the Arctic

The Draft Plan calls for improvement of Arctic development response, coordination of science and data, and new studies. The NOC must ensure the new studies and efforts do not unnecessarily delay or curtail activities, effectively making those activities unviable.

Regulations intended to reduce sea ice loss will likely negatively impact Alaska’s economy at a disproportionately higher magnitude.

Conclusion

Before further proceeding, the NOC must fully consider the potential economic impacts that the National Ocean Policy may have on industries across the nation, including fishing, oil and gas, energy, mining, transportation, tourism and more.

In addition to the comments above, RDC respectfully endorses the more detailed comments developed by the National Ocean Policy Coalition (dated February 27, 2012).

Thank you for the opportunity to comment.

Sincerely,



Marleanna Hall
Projects Coordinator

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.

ALASKA STATE LEGISLATURE

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State Capitol
Juneau AK 99801-1182
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Fax: 907-465-3871
800-892-4843

Senator Cathy Giessel Senate District P

March 28, 2012

Federal Energy Regulatory Commission
888 First Street NE
Washington, D.C., 20426

Reference: Susitna-Watana Hydroelectric Project, Docket Number P-14241

Dear Sirs,

I am writing in **support** of the Susitna-Watana Hydroelectric Project.

I urge expedient completion of the environmental review and approval for this sustainable energy infrastructure project.

Hydroelectric energy is stable and reliable, and provides a multi-generational power supply, as evidenced by the many hydroelectric dams located today in Alaska, built 100 years ago. The 1991 Bradley Lake hydropower project is a more recent example of the positive impact of hydroelectric energy projects.

Energy supply in Alaska's Arctic environment is a basic human safety need. The Susitna-Watana project will diversify Alaska's energy supply and achieve a 50% renewable energy goal set by policy makers.

The Susitna-Watana project will also provide economic benefits in the form of jobs and, through lowered energy cost, broadened business potential and diversification. In fact, there are opportunities to improve the wildlife habitat in the area as well. Management of river flows has demonstrated positive effects on wild salmon runs.

I urge FERC to expediently complete the environmental review and approval for the Susitna-Watana Hydroelectric Project, Docket Number P-14241.

Sincerely,


Cathy Giessel

Senator_Cathy_Giessel@legis.state.ak.us

Testimony of Resource Development Council
Susitna Hydroelectric Project
Carl Portman, Deputy Director
March 26, 2012

Good evening. My name is Carl Portman, Deputy Director of the Resource Development Council.

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.

RDC supports the proposed Susitna hydroelectric project as we believe this project is truly in the public's best interest. Alaska's Railbelt accounts for two-thirds of the state's population. Railbelt communities from Seward to Fairbanks are in need of a sustainable and reliable energy source to power homes and businesses. Susitna offers a long-term, cost-effective, and reliable power at a constant price for decades.

The project will also help the State meet its established goal of deriving 50 percent of its electricity from renewable and alternative sources by 2025. Realistically, the only way to achieve that goal is for a new large hydro project to be built in the Railbelt region. Of the hydro projects examined, Susitna has the best chance of being built.

RDC urges FERC and all permitting agencies to not delay the completion of the environmental review and approval for this project. Considering the studies performed in the 1980s and the fact that the FERC process provides approximately five years for studies and analysis, this is more than ample time for completing environmental work and monitoring. Railbelt energy consumers may be at risk if the project is needlessly delayed.

Susitna hydro will diversify the Railbelt's energy portfolio, provide needed security and flatten out market fluctuations in energy prices. Price volatility and high cost of electricity are limiting factors in economic development.

The proposed project is important to economic growth and resource development in Alaska. The project will bring many economic benefits, including new jobs. Moreover, it has the potential to expand the economy by attracting new business to the region.

The Susitna project will include mitigation measures to stabilize Susitna River salmon runs, and protect moose and caribou abundance. 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.

In concluding, I would like to note that a recent Hellenthal survey of Alaskan voters showed 60 percent support for the project. A recent Dittman poll revealed 63 percent support for Susitna in the Fairbanks area and 54 percent in Anchorage. Only 26 percent in Anchorage expressed opposition.

Thank you for the opportunity to provide testimony on this important project.



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

RDC Action Alert: *Shadura Natural Gas Development Project*

Deadline for Comment is April 13, 2012

Overview:

The U.S. Fish and Wildlife Service has received a right-of-way application from NordAq Energy, Inc., for the construction and operation of facilities associated with exploration and production of natural gas in the northwestern portion of the Kenai National Wildlife Refuge. While the Service owns the land surface, Cook Inlet Region, Inc., (CIRI) owns the subsurface oil and gas resources. CIRI has entered a lease with NordAq Energy to develop these gas resources. The application is being made subject to CIRI's rights under certain provisions of the Cook Inlet Land Exchange, as codified in certain amendments to the Alaska Native Claims Settlement Act (ANCSA).

The proposed Shadura Natural Gas Development Project is located in the northwestern portion of the Kenai Peninsula, approximately four miles southeast of the end of the road in Captain Cook State Recreation Area. Scoping meetings will be held March 20 in Kenai and March 22 in Anchorage where the Service intends to gather information necessary for the preparation of an environmental document. The Service uses this process to obtain suggestions and information from other agencies and the public on the scope of issues to be addressed in the document. These meetings will explain the project, hear concerns, and receive comments.

Public Hearings:

March 20 6:00 - 8:00 p.m.
Challenger Learning Center of Alaska, Kenai
9711 Kenai Spur Highway

March 22 6:00 p.m. - 8:00 p.m.
Campbell Creek Science Center, Anchorage
5600 Science Center Drive

Deadline for Comment is April 13, 2012

Submit comments to:

Mail:

Mr. Peter Wikoff
U.S. Fish and Wildlife Service
1011 East Tudor Road, MS-231
Anchorage, AK 99503

Email Comments: fw7_kenai_planning@fws.gov

Points to consider in your comments:

- The proposed Shadura Natural Gas Development Project is in the public's best interest given a shortfall in Southcentral Alaska's gas supply is expected to occur by as early as 2014.
- According to a recent update to the Cook Inlet Gas Supply Study by Petrotechnical Resources of Alaska, chronic shortfalls in gas supplies will begin in two years, forcing local utilities to import expensive liquefied natural gas, leading to higher prices for energy.
- The proposed project will mean new jobs for the Kenai Peninsula, jobs and royalties for shareholders of Cook Inlet Region, Inc. and a stable source of energy for the local

development of Cook Inlet region, and a stable source of energy for the local communities of Southcentral Alaska.

- More than half of Alaska's population depends on natural gas from the Cook Inlet region for home heating, electricity and commercial enterprise. Continued development of Alaska's natural gas resources is critical to our State's economic well-being and the quality of life of Alaska's citizens.
- CIRC owns the subsurface rights to the project area. Under the provisions of the Cook Inlet Land Exchange, as codified by certain amendments to ANCSA, CIRC has the right to access its oil and gas resources in the subsurface estate within the Kenai National Wildlife Refuge. The proposed project represents a forward step toward meeting the economic obligations to the Native people of Alaska as envisioned by ANCSA.
- Revenues CIRC receives from the Shadura project will be shared with other Native corporations and their shareholders throughout Alaska through the section 7(i) revenue-sharing provisions of ANCSA.
- The project area will impact only a fraction of the Kenai National Wildlife Refuge. Responsible energy development has occurred inside the refuge since 1959.
- We are confident NordAq Energy and CIRC will work diligently to insure a successful, environmentally-sound project. We urge the Fish and Wildlife Service to move forward as quickly as possible.

Deadline for Comment is April 13, 2012

[Return to Action Alerts](#)

Resource Development Council for Alaska, Inc.
121 West Fireweed, Suite 250 Anchorage, AK 99503
resources@akrdc.org Phone: 907.276.0700 Fax: 907.276.3887



FOR IMMEDIATE RELEASE

No. 12-033

Governor Welcomes Supreme Court Ruling Supporting Property Rights

March 21, 2012, Juneau, Alaska – Governor Sean Parnell and Attorney General Michael Geraghty today welcomed the news that the U.S. Supreme Court unanimously overturned a 9th U.S. Circuit Court of Appeals decision denying property owners access to the courts.

The State of Alaska took the lead on a multi-state brief urging the Supreme Court to permit property owners to challenge arbitrary federal compliance orders issued by the Environmental Protection Agency (EPA).

The EPA had ordered property owners Michael and Chantell Sackett to halt construction of their home because, in the EPA's opinion, the 0.63 acre lot was a wetland subject to the EPA's regulation under the Clean Water Act.

When the Sacketts asked a court to review whether the EPA had jurisdiction over their property, the trial court and the 9th Circuit held that the Clean Water Act precludes pre-enforcement judicial review of the compliance order. Instead, the Sacketts would have only two choices. They could wait for the EPA to sue them to enforce the order, and in the meantime accrue fines of up to \$75,000 per day. Alternatively, the Sacketts could restore their lot to its original condition, conduct a three-year environmental monitoring program, and request a permit to redo the work they had already done. Then, and only then, could the Sacketts ask the court to determine the reach of the federal agency's jurisdiction.

The Supreme Court found unanimously that neither option provided the Sacketts with a meaningful remedy, and that the Sacketts should have an avenue to challenge the order now.

"This ruling is great news for the Sacketts and for Alaskan families," Governor Parnell said. "Alaska is vulnerable when it comes to EPA regulations. Alaska possesses the largest geographic footprint of any state, more wetlands than all other states combined, and more coastline than the entire contiguous 48 states. We will continue to fight to protect property owners."

"Not only does the EPA's unchecked use of compliance orders threaten the rights of private property owners, that practice also serves to undermine and encroach upon the states' primary right and authority to regulate land and water uses," Attorney General Michael Geraghty said. "With this Supreme Court decision, we hope the EPA will be more circumspect in exercising its use of compliance orders."

###



FOR IMMEDIATE RELEASE

No. 12-028

Governor Parnell Promotes Alaska Seafood, Tourism

March 14, 2012, Juneau, Alaska – Upbeat about Alaska’s seafood and tourism industries, Governor Sean Parnell returned from Boston and Miami, where he joined other Alaskans promoting the state’s sustainable seafood, as well as our unparalleled tourism opportunities.

The governor attended the International Boston Seafood Show, the nation’s largest trade show of its kind, where he promoted Alaska’s seafood. He also spent time with innovative Alaskan entrepreneurs whose seafood products have an increasingly global reach. The governor spoke to a group of international fisheries experts on Alaska’s history and commitment of managing its fisheries for sustainability.

Governor Parnell attended Cruise Shipping Miami where he met with international cruise line executives and nearly 30 small and mid-sized Alaska business owners who were proudly promoting Alaska on the trade show floor.

Two years ago, the governor made a similar trip to Miami. Upon his return, he ushered in a tax reduction which led to numerous cruise lines increasing their voyages to Alaska. New ship deployments to Alaska and increased passenger capacity are directly linked to the more favorable tax policy.

“The seafood and tourism sectors of Alaska’s economy are on a definite upswing,” Governor Parnell said. “We are carrying our message to the markets to ensure continued growth in our economy. I’m taking the opportunity to do so in the Lower 48, as I did in Europe late last year. My message is that our wild Alaska seafood comes from sustainable fisheries, and our state is excited about bringing more visitors to Alaska.”

Susan Bell, Commissioner of Commerce, Community, and Economic Development, also attended the trade shows, where Alaska was represented by several promotional booths.

###

ALASKAN OIL & GAS EXPLORATION 101

REPEAT SEMINAR

OVERVIEW

The oil and gas industry has provided as much as 78 % - 92 % of state revenue for last 10 years depending upon crude price. Alaska has not had a state income tax since 1980 and has paid out a maximum of \$34,565.41 in Permanent Fund Dividends for its residents since 1982.

Do you know why?

This seminar will serve as an introduction to the oil and gas industry in general and the Alaskan oil and gas industry in particular. It will focus on the basic functions of the industry as it utilizes scientific evaluation methods combined with physical exploration operations to find and produce its product. Of special importance will be the manner in which these operations are carried out in the onshore and offshore areas of Alaska.

Oil and gas wells have been drilled for approximately 130 years with significant refinements occurring over that time. Computers have increased the body of knowledge available to the drilling contractor and the dynamics of the producing formations has increased almost exponentially. The various types of drilling rigs needed for differing conditions will be presented and discussed.

The benefit to the State of Alaska and its residents will also be presented in terms of jobs, local and state taxes and other benefits to Alaskans. How does Alaska compare with the other forty-nine states? Where is the greatest impact to the economy?

TOPICS COVERED

Course Introduction
Petroleum
Ownership
Petroleum Exploration
Players

Operators
Project Economics
Permitting
Science
Types of Drilling Rigs

Other Equipment
Rolling Stock
Ice Road Construction
Mob & Demob
Logistics

Exploration Drilling
Well Control
Manpower
Results
Producing Alaska Oil & Gas Fields

LOCATION:

Crowne Plaza Midtown, 109 W. International Airport Road
(International and C Streets)

DATE:

Wednesday, April 11, 2012

TIME:

8:00 am – 8:30 am: Registration – coffee provided
8:30 am – 12:00 pm: Presentation – coffee provided
Noon: lunch – provided at the Crowne Plaza Midtown
1:00 pm - 3:30 pm: Presentation – coffee & soft drinks provided

COST:

\$495 Single Registrant
\$475 Multiple Registrants from the same employer/department (each employee)

Registration includes hard copy of slide material and a glossary of terms.

PRESENTED BY

ARLEN EHM

OF



ALASKAN SEMINARS

SEMINARS IN OIL & GAS TOPICS

PLEASE VISIT

WWW.ALASKANSEMINARS.NET

FOR MORE INFORMATION OR TO REGISTER

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Scale Models: Hitachi and Volvo and Caterpillar Replicas
 Donated By: Construction Machinery Industrial, CMI
 Won By: Carrie Peterson, Jeff Shwarz, Dewey Hoffman, Kim Graham, Anne Baldrige

Two Travel Cases & Udelhoven Logo Gear
 Donated By: Udelhoven Company
 Won By: Dave Mael, Steve Borell, John Cole, Zoom

Fire Pit
 Donated By: SteelFab
 Won By: Randy Powelson

Polar Fleece Jacket
 Donated By: Mikunda Cottrell
 Won By: Unknown

Small Birch Basket by Mercy Cleveland
 Donated By: NANA Regional Corporation
 Won By: Ken Hughes

Logo Gear
 Donated By: Pebble Partnership
 Won By: Taff

Baseball Cap Collection
 Donated By: Anonymous
 Won By: Matt Petersen

Alaska Mountains Majesty 20X30 framed photograph
 Donated By: Libbie Martin
 Won By: Jane Kennedy

Two Lift Vouchers
 Donated By: Hilltop Ski Area
 Won By: Mike Cammach

Wine Glass Charms
 Donated By: Anonymous
 Won By: Delbert Parr

Two Caterpillar Jackets
 Donated By: NC Machinery
 Won By: Jimmy Evak

Knit Hat & Zipper Sweater
 Donated By: Lynden
 Won By: Jenn Adleman

Men's Hood Sweatshirt and Long Sleeved Shirt and Ladies Fleece Jacket
 Donated By: Sunshine Custom Promotions
 Won By: Mike Bell

Three Rivers Tour for Two: Mahay's Jet Boat Adventures
 Donated By: Mahay's Jet Boat Adventures
 Won By: Kit Lamborn

\$50 Gift Certificate
 Donated By: Bear and Moose Tooth
 Won By: John Miscovich

\$50 Gift Certificate
 Donated By: Intuitions Day Spa
 Won By: Lorna Shaw

Logo Gear
 Donated By: Kinross Fort Knox
 Won By: Chuck Hawley, Carrie Peterson

Two Commemorative Coins
 Donated By: Kinross Fort Knox
 Won By: Chris Kennedy

Logo Gear
 Donated By: Rain for Rent
 Won By: Dave Mael, John Shively

Polished Glacial Float Copper from Upper Peninsula, MI
 Donated By: Alaska Prospectors
 Won By: Tim Musgrove

AK Resource Mineral Kit
 Donated By: AK Resource Education
 Won By: Randy Powelson

Zach's Restaurant at Sophie Station Suites & Admission for two to Fountainhead Antique Auto Museum
 Donated By: Sophie Station Suites
 Won By: Lorna Shaw

Fleece Jacket, Vest and Two Beanies
 Donated By: AMA
 Won By: Clark Milne

AMA Logo Gear
 Donated By: AMA
 Won By: Paul Glavinovich, Lorna Shaw

Large Birch Basket by Mercy Cleveland
 Donated By: NANA Regional Corporation
 Won By: Fred Parady

Four NANA Logo Gift Baskets
 Donated By: NANA Regional Corporation
 Won By: Zoom, Dennis Steffy

\$40 Gift Certificate
 Donated By: Bradley House
 Won By: Marleanna Hall

Lia Sophia Necklace
 Donated By: Anonymous
 Won By: Ken Hughes

Logo Gear
 Donated By: Usibelli Coal Mine
 Won By: Joel Stratman, John Cole, Dave Graham

Chainsaw
 Donated By: Koncor Forest Products
 Won By: Chris Kennedy

.33 Gold Nugget Diamond Pendant
 Donated By: Oxford Metals
 Won By: James Komadina

Banana Split Party for Four and Deserts for Year Punch Card
 Donated By: Tastee Freez
 Won By: Liz D'Amour

\$100 Gift Certificate
 Donated By: Allure Day Spa & Hair Design
 Won By: Sharon Cox

Chena Hot Springs Overnight for Two with Pool Passes
 Donated By: Chena Hot Springs
 Won By: Karl Hanneman

Backpack, Sweatshirt and Beanie
 Donated By: Red Dog
 Won By: Meg Day

Men's Iditarod Vest and Hat
Women's Iditarod Vest and Hat
 Donated By: Donlin Gold
 Won By: Matt Petersen

Two Commemorative Coins
 Donated By: Sumitomo Metal Mining Pogo LLC
 Won By: Lois Ebel, Rick Rogers

Logo Gear
 Donated By: Coeur Alaska, Kensington Gold Mine
 Won By: Jim Duffield

\$50 Gift Certificate
 Donated By: Suite 100
 Won By: Jenn Adleman

Two diamond willow vases
 Donated By: Rain for Rent
 Won By: Melissa Holt, Lorna Shaw

Sweatshirt, Long Sleeved T-shirt, Short Sleeved T-shirt
 Donated By: Northern Air Cargo
 Won By: Dave Graham

Jacket and Logo Gear
 Donated By: International Tower Hill Mines Inc
 Won By: Glen Faulkner

Photo of Beautiful "Sitka By The Sea"
 Donated By: Samson Tug and Barge
 Won By: Patty Gentry

Fleece Blanket
 Donated By: Nana Development Corporation
 Won By: Sharon Cox

One Night Stay
 Donated By: Westmark Hotel – Fairbanks
 Won By: Arne Bakke

Rain for Rent Logo Gear
 Donated By: Rain for Rent
 Won By: Jim Duffield

Toy CAT Models & Cap
 Donated By: MAPTS
 Won By: Graham Neale

Calcite from Staunton, VA
 Donated By: Mary Loose DeViney
 Won By: Jenn Adelman

Alaska Railroad Poster
 Donated By: Alaska Railroad
 Won By: Drue Pearce

Kindle Touch
 Donated By: Austin Powder Company
 Won By: Graham Neale

170 Piece Tool Set
 Donated By: Alaska Rubber
 Won By: John Cole

Logo Gear
 Donated By: Nalco Company
 Won By: Kim Graham

Jackets and Hats
 Donated By: NC Machinery
 Won By: Arne Bakke

Waterproof Bag and Logo Gear
 Donated By: Totem Trailer Express, Inc.
 Won By: Paul Carrelo

Sample of Bituminous Coal from the Wishbone Hill Mine
 Donated By: Usibelli Coal Mine
 Won By: Arden Miller

Behind the Scenes Tour for Two
 Donated By: Alaska Sealife Center
 Won By: Tom Covington

Carlisle Truck and Shirt
 Donated By: Carlisle
 Won By: Carrie Peterson

Minor Miner T-shirt and Coeur Travel Mug
 Donated By: Coeur Alaska, Kensington Gold Mine and ARE
 Won By: Jane Kennedy

Books by Jim Madonna
 Donated By: Alaska Prospectors
 Won By: Tim Musgrove

Copper/Silver Specimen from Upper Peninsula, MI
 Donated By: Alaska Prospectors
 Won By: Kevin Adler

Two Backpacks
 Donated By: Connors Drilling LLC
 Won By: Jane Kennedy, Kevin Lackey

Out Cry Item Winners

Tour for Two to Pebble Project
 Donated By: Pebble Partnership
 Won By: Don Krank

Ride in a CAT Haul Truck/Tour for Two to Usibelli
 Donated By: Usibelli Coal Mine
 Won By: Dave Graham

Tour For Two to Livengood Gold Project
 Donated By: Tower Hill Mines
 Won By: Clark Milne

Black Powder Cannon
 Donated By: Howee's Machine Shop
 Won By: John Miscovich

Burggraf Resource Education Tribute Sculpture
 Donated By: Roger Burggraf
 Won By: Construction Machinery Industrial, LLC

17" Handmade Native Eagle/Raven Drum/Beater
 Donated By: Powtec
 Won By: Wade Gies

Seperett Model 9210, 12V, Waterless Toilet
 Donated By: Lifewater Engineering Company
 Won By: Graham Neale

Tour for Two to Fort Knox Mine
 Donated By: Kinross Fort Knox
 Won By: Rick Solie

.484 Troy Oz Nolan Creek Gold Nugget
 Donated By: Roger Burggraf
 Won By: David Hedderly-Smith

Tour for Two to Pogo Mine
 Donated By: Sumitomo Metal Mining Pogo LLC
 Won By: Mike Satre

Tour for Two to Niblack Project
 Donated By: Niblack
 Won By: Karl Hanneman