



IDAHO OIL & GAS CONSERVATION COMMISSION

C. L. "Butch" Otter, Governor and President of the Commission
Ben Ysursa, Secretary of State
Lawrence G. Wasden, Attorney General
Donna M. Jones, State Controller
Tom Luna, Superintendent of Public Instruction

Kathy J. Opp, Secretary to the Commission

Final Minutes
Idaho Oil & Gas Conservation Commission Regular Meeting
September 20, 2011

The regular meeting of the Idaho Oil & Gas Conservation Commission was held on Tuesday, September 20, 2011 in Boise, Idaho. The meeting began at 9:03 a.m. in the second floor courtroom of the Borah Building, 304 North 8th Street, Boise. The Honorable Governor C. L. "Butch" Otter presided. The following members were present:

Honorable Secretary of State Ben Ysursa
Honorable Attorney General Lawrence Wasden
Honorable State Controller Donna Jones
Honorable Superintendent of Public Instruction Tom Luna

For the record, Governor Otter recognized the presence of all Commission members.

• **CONSENT**

1. Levy Rate for Fiscal Year 12 – *Staffed by Eric Wilson, Minerals Program Manager*

DEPARTMENT RECOMMENDATION: Issue an order to set the Oil and Gas Conservation Fund Levy at 5 mills, or 0.5%, for fiscal year 2012.

DISCUSSION: Governor Otter inquired if the 0.5% levy rate is fairly uniform with other states. Deputy Director Opp responded that most other states have their oil and gas commissions set the levy amount, but the percentage varies by state. The Department is asking, through legislation, to increase Idaho's levy rate to 1 1/2% to fund the Commission.

2. Approval of Minutes – May 17, 2011 Regular Meeting (Boise)

CONSENT AGENDA COMMISSION ACTION: A motion was made by Controller Jones that the Commission approve the Consent Agenda as presented. Attorney General Wasden seconded the motion. The motion carried on a vote of 5-0.

• **REGULAR**

None

- **INFORMATION**

3. Gathering Natural Gas Pipelines – Presented by Paul Kjellander, Chairman-Public Utilities Commission

Mr. Kjellander presented information regarding the need to establish jurisdiction for safety inspections on construction and operation of "gathering pipelines," that is, those lines used to transport raw gas from the well head to the treatment plant and from the treatment plant to the main pipeline. Mr. Kjellander suggested three options for entities that might assume regulatory authority over gathering pipelines: Idaho Oil & Gas Conservation Commission, the Public Utilities Commission (PUC), or local county and/or city authorities (County/City) under their general police powers.

DISCUSSION: Governor Otter inquired if PUC currently has the expertise for oversight on these pipelines. Mr. Kjellander responded that the PUC does; these inspections are similar to those performed for Intermountain Gas and Avista for their distribution lines. Governor Otter asked if we would lack eminent domain for laying gas lines without the PUC as the authority. Mr. Kjellander advised that, as it relates to the inspection of the lines, eminent domain wouldn't be a factor, but noted that gathering lines is a gray area between federal and state with regards to jurisdiction.

Mr. Steve West (CENTRA Consulting) on behalf of Bridge Energy offered support for a state level oversight for the safety inspections. Mr. West recognized the expertise resident in the PUC and stated it makes economic sense as well as technical sense to have PUC involved in whatever role or capacity the Commission thinks appropriate for that aspect of oil and gas production here in Idaho.

Mr. David Hawk on behalf of Snake River LLC suggested that any gathering lines laid should undergo the same scrutiny from an inspection and a prudence standpoint as Intermountain Gas and Avista's gathering lines. Mr. Hawk also offered his understanding that eminent domain pertains to gas moving interstate commerce and such is regulated by the Federal Energy Regulatory Commission (FERC). Mr. Hawk recognized that the Oil & Gas Conservation Commission has authority granted for all things related to the oil and gas industry in the state and also offered support in utilizing the expertise of the PUC as the inspection and the approval process for the laying of gas pipelines. Secretary of State Ysursa asked if it's handled this way in other states, that the utility commission or the equivalent has oversight over gathering lines. Mr. Hawk responded, yes, in some states; in other states the oil and gas commissions have their own staff to do it, but in either case, the lines do undergo a thorough inspection.

Governor Otter commented on the need for reporting responsibility to keep the Commission informed of rules, regulations and procedures and asked if Mr. Hawk is aware of a protocol used in other states by the responsible agency to report back to its commission. Mr. Hawk answered he's aware a protocol exist but hasn't analyzed it. Mr. Hawk stated the reporting requirements should be the same as those of utilities such as Intermountain Gas and Avista, in terms of safety, periodic inspections, corrosion checks, cathodic protection, etc. and therefore the same reporting line that utilities have, only from the PUC back to the Commission, would be a function of exercising that duty.

Governor Otter asked if Mr. Kjellander is aware of a protocol that's available that the Commission might review for that oversight. Mr. Kjellander replied that one option might be to require PUC, if authority is placed there, to report on some specified progress, the number of inspections, what was discovered, and also to inform the Commission what's happening at the federal level with regards to rules and compliance concerns to help ensure that the Commission is apprised of what's going on within the natural gas sector. Mr. Hawk noted that as new Idaho oil and gas rules are being promulgated, there may be opportunity for this topic to be included. Governor Otter requested that the Department research other states reporting requirements and stated the importance of keeping the Commission updated more than just annually.

Deputy Director Opp stated that the oil and gas rules will be brought before the Commission for approval at a future meeting. Deputy Director Opp also noted that the Department, along with representatives from Office of Energy Resources and PUC are meeting this week to discuss the concept of a central repository for oil and gas issues.

Mr. Kjellander concluded perhaps some simple statutory language that suggested that, at a minimum, a report be required annually and then at the request of the Oil & Gas Commission based on concerns or issues that may arise.

- **EXECUTIVE SESSION**

None

At 9:24 a.m. a motion to adjourn was made by Attorney General Wasden. Controller Jones seconded the motion. The motion carried on a vote of 5-0. Meeting adjourned.

