

**Meeting Minutes of the Funding Levels and Potential Funding Sources  
Study Group of the  
North Carolina Mining and Energy Commission  
July 8, 2013**

The North Carolina Mining and Energy Commission's (MEC) Funding Levels and Potential Funding Sources Study Group met in regular session on Monday, July 8, 2013 in Conference Room (504-Q) of the Archdale Building. Director Jane Lewis-Raymond called the meeting to order at 1:03 pm via teleconference. She welcomed all study group members and others attending. She also read the ethics statement and asked Study Group Members whether or not they had conflicts of interest with respect to any action items on the agenda. No conflicts were noted.

Study Group Members Present

Jane Lewis-Raymond, Study Group Director (via telephone)  
Jim Womack, Chairman MEC  
Dr. Vikram Rao, MEC  
Johanna Reese, NC Association County Commissioners  
Erin Wynia, League of Municipalities  
Brandon Jones, NC Department of Transportation (NCDOT)

Study Group Members Absent

Ward Lenz, Dept. of Commerce  
George Howard, Vice-Chairman MEC

DEMLR Staff Members Present

Walt Haven  
Katherine Marciniak  
Rosalind Harris  
Others in Attendance (See attached Sign-in Sheet)

Introductions

Those in attendance introduced themselves to others in the group.

**Items of Business**

1. Approval of Minutes of June 17, 2013

Dr. Vikram Rao made a motion to approve the minutes, with Ms. Erin Wynia seconding the motion. The Study Group approved the minutes pending the following edits:

- a. Mr. Brandon Jones (NCDOT) stated that the cost impact estimates were not to include bridges and machinery hauling; and
- b. Director Jane Lewis-Raymond requested editing of the first sentence under item #6, to read that the Study Group report would be presented to the MEC on completion.

2. Review of Proposed Draft Outline for Study Group Report (attached)

Director Lewis-Raymond reviewed the latest revisions to the report outline. Director Lewis-Raymond stated the report was now color coded to assign report writing responsibilities to specific Study Group participants.

3. Future Cost Estimates for the MEC and DENR

Mr. Walt Haven presented information regarding expected cost impacts to the MEC and to non-Energy Program entities within DENR (see attached DENR costs document). Expected costs impacts included the following:

- a. Travel, per diem, training and seminars, meals, etc. for MEC members;
- b. Salary and support, office rental, training, equipment, etc. for non-Energy Program employees within DEMLR; and
- c. Salary and support for employees from the Divisions of Water Quality (DWQ) and Waste Management (DWM), who might become involved with oil and gas operations.

The Study Group discussed whether or not cost impacts for DWQ and DWM were high enough. Additionally, the Group asked for relevant positions from the pending transfer of Department of Commerce personnel to be included within the cost impact figures.

#### 4. Local Government Cost Impacts

Ms. Erin Wynia presented the NCLM proposal to recover impact costs to local transportation infrastructure (see attached document “Local Government Costs”). Her presentation addressed the following matters:

- a. The responsibility of a municipality to maintain its roads;
- b. The posting of weight limits for roads;
- c. Excess Maintenance Agreements (EMA) between a municipalities and a hydraulic fracturing companies;
- d. Impact from high weight vehicle road use; and
- e. The implementation of impact fees in Arkansas.

The Study Group discussed the NCLM information and suggested that an EMA strategy should also allow any municipality to deny the use of a road for public use. However this denial would be on the condition that the municipality provides a reasonable alternative route.

Ms. Johanna Reese stated that staff with the NC Association County Commissioners would be researching cost impacts related to law enforcement, emergency services, etc. during the upcoming week.

#### 5. NCDOT Cost Impacts

Mr. Brandon Jones presented a table delineating expected cost impacts for NCDOT (see attached presentation). Cost impacts included funding needs to support full positions, partial positions, and equipment and maintenance. Mr. Jones explained that cost impact estimates assume a permit issuance rate of 40 per year and would include monies to support the following:

- a. A new “Energy Coordinator” position;
- b. District Engineer position support;
- c. Other Engineering position support;
- d. Supervisory position support;
- e. Clerical support;
- f. Vehicle purchase and maintenance;
- g. Personal protective equipment; and
- h. Other equipment, such as GPS units, laptop computers, etc.

#### 6. Discussion of Impact Fee Strategy

The Study Group discussed implementing a two-part impact fee which would allow for cost recovery from both hydraulically fractured and non-hydraulically fractured wells. This fee was proposed to be structured as follows:

- a. Initial flat rate fee for a given well pad; and
- b. Second fee based on a standard rate for each stage of hydraulic fracturing.

The Study Group also recognized that impact fees could be used to help with midstream infrastructure development. However, Group members agreed that their work was not premised on using the oil and gas industry as a new revenue source for the State. Rather, the Study Group plans to continue its work to identify cost impacts and to address reimbursement mechanisms for those impacts. Finally, members also agreed that industry should be encouraged to use “waterless” fracturing technologies. Allowing for impact fee reductions for operators using waterless techniques could accomplish this goal.

#### General Discussion

MEC Chairman Womack mentioned the need to develop projections to estimate the amount of gas which would be produced over a given period of time. Dr. Rao suggested that using a U.S. Energy Information

Administration forecast could be used to help develop a revenue model. Chairman Womack stated that he would ask Commissioners Dr. Kenneth Taylor and Dr. Ray Covington to provide a projection.

Director Lewis-Raymond suggested that all Study Group members read the “State Revenues and the Natural Gas Boom” handout and be ready to discuss respective information during the next meeting. This handout is available at the following web address: <http://www.ncsl.org/issues-research/energyhome/state-revenues-and-the-natural-gas-boom.aspx>.

The next Study Group meeting was scheduled for July 30, 2013, from 2:30 pm until 4:30 pm in room 504-Q of the Archdale Building, in Raleigh, NC.

**The Study Group adjourned at 3:50 pm.**

Respectfully submitted,

Walt Haven, Energy Program Supervisor  
DEMLR Staff