

**STEUBEN COUNTY NATURAL GAS TASK FORCE
ROADS & INFRASTRUCTURE SUBCOMMITTEE**

Wednesday, January 19, 2011

1:30 p.m.

Legislative Committee Conference Room

Steuben County Office Building

Bath, New York

****MINUTES****

COMMITTEE: Karl Anderson, Esq., Chair Dan Hamilton Vincent Spagnoletti
Elaine Swiler Steve Orcutt

STAFF: Mark R. Alger

LEGISLATORS: Joseph Hauryski

OTHERS: Mike Atchie, Chesapeake Energy Jeffrey Parker Robert Popejoy
Len McConnell Daniel Hubbard Karen Hubbard
Ed Young Rachel Triechler Meghan Thoreau Jacquet

I. CALL TO ORDER

The meeting was called to order by Mr. Anderson at 1:30 p.m.

II. NEW BUSINESS

A. Introductions - Mr. Spagnoletti introduced Mike Atchie from Chesapeake Energy.

B. Committee Issues - Mr. Hauryski stated he will continue to be a member of the Steering Committee, however, he has appointed Mr. Alger to Chair that committee. He asked Mr. Alger to address what had previously been discussed regarding the direction of the Steering Committee and the Sub-Committees. Mr. Alger stated we have a fairly limited window of time before it appears that there will be at least additional discussion regarding Marcellus Shale development in New York. The moratorium on drilling is up sometime in the spring, so we would like the committees to look at their original tasks and develop an action plan. The timeframe for completing the original round of tasks would be May or June. This includes the finalization of a Road Use Agreement as well as developing a strategy for disseminating this to the towns, villages and appropriate levels of government. We want to be as prepared as much as possible.

Mr. Hauryski stated essentially you will be taking the topics you have listed now and developing an action plan; specifically how you will complete the task, a timeline, etc. He stated that he would like to be a bit ahead of the curve regardless of what happens with the moratorium. One of the biggest issues is the Road Use Agreements and he wants Steuben County to be prepared.

Mr. Anderson stated this is a good suggestion and we have been discussing the Road Use Agreement for a couple of months now and he knows that Mr. Spagnoletti has an update on that. With regard to the Site Plan Review, he will contact Amy Dlugos and see how they want to proceed. By next month, we should have some sort of a plan for that. He would like to bring a plan to the committee to review in April and would like to be able to distribute it in May. In addition to a Site Plan Review, he stated that a complaint resolution as well as a master plan for the County should be brought to the attention of the towns.

Mr. Young stated with regard to the Site Plan Review, we had discussed submitting this to the DEC and having that become part of the SBIS. If things were put on the fast track, this is something that would probably help us, as well as the gas companies. Mr. Atchie commented that from the DEC perspective, they don't want the towns burdened with the sub plan reviews. Mr. Anderson stated from a legal standpoint, if a town does adopt a Site Plan Review, even just a very basic law, and there is a permit process, then they become a part of the SEQR process.

Mr. Spagnoletti provided the committee with a brief update on where we are with the Road Use Agreement. Our idea was to have a County Law which would pretty much require the gas companies to come to the table and obtain a permit. The problem is that the draft law we have requires the drilling companies to get a permit for each of their trucks. The amount of the permit would be based on the repair cost to the roads. As an example if a company was going to be using 14 miles of road, they would need \$4 million to cover the cost. If that company had 40 trucks and we required a permit for each truck, they would pay \$100,000 per truck. Another problem would be monitoring the trucks and which company they belong to. Instead of requiring a permit, the companies would have to provide a security bond.

III. OTHER BUSINESS

A. Chesapeake Energy Question and Answer Discussion – Mr. Spagnoletti asked how do you operate in Pennsylvania? Mr. Atchie replied essentially what we do is go to town boards, town supervisors and enter into a Road Use Agreement. It is a contract between our company and the designated town that states if we damage a road, we are liable to fix it. If we didn't repair the roads, we could be taken to court. We have executed 45 Road Use Maintenance Agreements in Pennsylvania and it is the standard way we operate there. Some towns have required the post and bond method, but have moved away from that because of what is involved. All of your concerns can be covered with a Road Use Maintenance Agreement, the same as if you posted and bonded the roads. Area counties are going through the same process now. Our document covers the concerns, but also makes us liable for any damages. When we file for a permit, you know where we are. Our track record, since March 2010, we have spent \$95 million repairing and upgrading existing roads. We have left roads in better condition than when we started using them. Area counties are seeking a County Local Law, but that isn't necessary.

Q – what percentage of the lease holding do you have in Steuben County? Mr. Atchie replied he is not sure, but we have not pursued leasing because of the moratorium.

Q – Do you secure an agreement with a bond? Mr. Atchie replied if a township requires a post and bond, we don't enter into a Road Use Maintenance Agreement. We enter into an excess maintenance agreement. A Road Use Maintenance Agreement is for any road. We'll let you know what roads we are going to run to get to our well pad and we will repair the damage on those roads. A Road Use Agreement covers any road in your County. A post and bond is for specific roads. If you post and bond, we will tell you what roads we will be using. However, if a sub-contractor happens to take a shortcut on another road and that road is posted, but with no bond, you only have a chance that Law Enforcement will catch them. A Road Use Maintenance Agreement is preferred to a post and bond. With a post and bond there is a lot of paperwork and it is time consuming and ties up some capital. There is also a cost to the county for posting the roads and monitoring the usage.

Q – There is no bond or security to back up the agreement? Mr. Atchie replied the guarantee is that this is a legal document. If the roads are not repaired, then Chesapeake could be sued.

Q – Are there a lot of problems with the spring thaw? Mr. Atchie replied we operate all year long. There was an issue in 2010 and we did damage some roads. We are doing some things in our operations to minimize road use. We are doing a process called water impoundance, which is where we use a pond for access of water.

Q – How does a township prove the damage to a road without some sort of evaluation done prior to use? Mr. Atchie replied with a post and bond you have to have a formal engineering study done, which would be at the town's cost. Before we run a road, we will go out with you and do a study of the road.

Q – If there is a dispute, how does a town afford the cost to take legal action against a large company like Chesapeake? Mr. Atchie replied there is a provision in the Road Use Maintenance Agreement that states that the county and/or township can shut the road down.

Q – What happens if there are two or three companies using the same roads? Mr. Atchie replied that happens at times and we actually work well with those other companies and have shared the costs. We use local contractors for road repairs.

Mr. Hauryski asked that Mr. Spagnoletti and Mr. Hamilton discuss the issue of Road Use Agreements at the Highway Superintendents meeting to get comments.

Mr. Anderson adjourned the meeting at 3:00.

Respectfully Submitted by

Debra Cotter
Account Clerk
Department of Public Works

NEXT MEETING
Thursday, March 3, 2011
1:30 p.m.