

## Head of cleanup company guides N.C. 'fracking' rules, blasts advisory panel as unqualified

Bertrand M. Gutierrez/Winston-Salem Journal | Posted: Saturday, January 26, 2013 6:21 pm

RALEIGH — George Howard, the vice chairman of a state commission charged with proposing how to regulate North Carolina's imminent dive into natural gas exploration, stands to make money on the harmful effects of the industry's prime drilling method: hydraulic fracturing.

Howard is the president and co-founder of Restoration Systems LLC, based in Raleigh, which has been picked to do a stream-mitigation project involving the Towanda Creek watershed in rural Bradford County in Pennsylvania. On the company's website, a description of the project leaves little doubt about how hydraulic fracturing, also known as fracking, is good for his business.

"Heavy traffic and lots of dust and other organic waste is created at natural gas drilling sites which poses a threat to the Towanda Creek Watershed," the company says in a 33-page prospectus.

According to Howard, his two roles — one as vice chairman of the state Mining and Energy Commission, which is shaping North Carolina policy on natural gas exploration, and one as a businessman dealing with the effects of that industry — make him more qualified to work on the rule-making process, rather than presenting any conflict.

Environmental advocates and small-property owners say it's critical that North Carolina get its rules right because fracking is largely unregulated by the U.S. Environmental Protection Agency and budget cuts are straining the state Department of Environment and Natural Resources, or DENR. Stokes and Rockingham counties are among the areas that might have stores of natural gas underground, according to state geologists.

Last week, proposed rules that would govern natural gas exploration and fracking came up at several meetings in Raleigh. And Howard showed some of his influence. He and an elite group of state DENR management officials privately quashed recommendations made by a special panel that was supposed to help shape those rules. Among the officials was DENR Secretary John Skvarla, who until recently worked under Howard as CEO of Restoration Systems.

Then Howard publicly lambasted the panel.

"They're too big for their britches," Howard said Friday as he led a public meeting as vice chairman of the Mining and Energy Commission.

The panel is a “shadow committee” that is “not qualified” and is bent on “grandstanding,” said Howard, who was appointed to the commission by the state Senate president pro tempore, Phil Berger, R-Rockingham. Among the panel’s members are state environmental, energy, justice, labor and transportation staff members and such groups as the N.C. Farm Bureau, the N.C. Association of County Commissioners, Southwestern Energy Co. and the Environmental Defense Fund.

“I knew from the beginning that this would be an issue,” Howard said in an interview about his roles as a businessman and commission member. “But I’m not trying to feather my own nest.”

### Proposed rules

The term “fracking” refers to a type of drilling process. Fracking companies use extremely high pressure to inject a concoction of water, sand and chemicals thousands of feet below the Earth’s surface to dislodge natural gas from shale rock. Once the fracking creates cracks, the gas begins to ooze to the surface.

Fracking has led to a U.S. energy boom by freeing enormous reserves of natural gas. The work has generated jobs, profits and lower energy costs. Still, environmentalists have warned for years that the risks of fracking include groundwater contamination, air pollution and the release of spent fluid, or “flowback,” into the environment. Some of the chemicals include acids, polyacrylamide (reduces friction) and glutaraldehyde (disinfectant).

The Mining and Energy Commission is supposed to send regulatory proposals to the Legislature for approval; lawmakers want new regulations in place by October 2014.

For years, DENR officials have assembled “stakeholder” panels to gather different points of view on issues. In a public meeting Tuesday, the special panel made 17 recommendations to the commission’s Environmental Regulations Committee, of which Howard also is the chairman.

Among the panel’s recommendations:

— The commission should explore ways to notify leaseholders or landowners within an affected drilling unit and adjacent property owners seven to 14 days before the beginning hydraulic fracturing treatment.

—At least seven days prior to beginning fracking, the operator should be required to submit to DENR a pre-plan for the treatment — a best estimate of which chemicals will be used and disclosed to the state.

—Chemical disclosure, even trade secrets, should be shared with DENR, which would keep it confidential.

Chemical disclosure is important because it would allow emergency responders and medical workers to know immediately what chemicals they might be dealing with if there is an emergency, said David Kelly, a panel member and program associate at the Environmental Defense Fund.

But before those three recommendations could be presented to the standards committee Thursday, Howard and the DENR management officials decided to omit them and two others, said DENR spokesman Jamie Kritzer when asked about the decision process.

As the state prepares for natural gas exploration, it has one chance to get things right, said Scott Marlow, the executive director of Rural Advancement Foundation International-USA, one of the groups represented on the panel.

“This is a very, very important issue with wide impact on communities across the state,” Marlow said. “We believe getting it right includes gathering stakeholders that can provide input.”

In the end, the Environmental Standards Committee put the panel’s recommendations, minus those opposed by DENR managers, into a set of draft rules, officials said.

On Friday, the Mining and Energy Commission considered several issues, including draft rules on water safety that Howard said are among the best in the U.S. They would require comprehensive testing of water sources, and companies would test water within 5,000 feet of a drilling site. The issue is important because some companies have tried to fight contamination liability by questioning whether the water was tainted before drilling occurred.

#### Wearing two hats

Howard said in an interview that he has always been above board about his company’s dealings and that his career in environmental regulations makes him exceptionally qualified. Anyone can find information about the Pennsylvania mitigation project on his company’s website, Howard said, and he has disclosed his relationship with the company in his Statement of Economic Interest to the state Ethics Commission.

Asked how much money his company stands to make from the Pennsylvania project, Howard declined to give an amount.

“That’s not a fair question,” he said, later agreeing that it was indeed a fair question when told that some people may perceive him to have a conflict of interest. “It’s not terribly much,” he volunteered about the amount.

Restoration Systems plans to improve 22.8 acres of wetlands.

The project calls for “stabilizing bank conditions, adding appropriate vegetation, creating more in-stream habitats and utilizing the existing flood plains.” More sediment and pollutant removal and

nutrient cycling will increase in the watershed, ultimately improving the functions of 6,768 linear feet of stream, according to the company's prospectus.

Howard isn't alone in being questioned about potential conflicts with his roles. Other members of the Mining and Energy Commission, who were appointed by Berger, House Speaker Thom Tillis, R-Mecklenburg, and former Gov. Bev Perdue, have faced heat for being viewed as friendly to the energy industry.

Howard's connection with the energy industry also appears in his Statement of Economic Interest. He discloses owning at least \$10,000 worth of shares in the publicly traded ITT Corp. The company says on its website that it supplies the oil and gas industry with products and services engineered to withstand the harshest operational environments. Some of the products include pumps, industrial valves and regulators.

Howard's two hats make people such as Mary Kerley — who was born in the Stokes County house handed down from her grandmother in the 1800s — concerned that the interests of small landowners could get drowned out by the drumbeat of big business.

She said she was pleased with the water-testing recommendation but remained skeptical about how fair the rule-making process is.

“As a landowner, as a taxpayer, as a citizen of North Carolina, I feel like we have been woefully underrepresented in this process,” Kerley said. “I feel like my rights are being trampled on and that government officials, and the people they appointed to represent us, are not going to represent all the people.”

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