

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

March 31, 2014

3:32 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Fred Dyson, Vice Chair
Senator Peter Micciche
Senator Click Bishop
Senator Hollis French

MEMBERS ABSENT

Senator Lesil McGuire
Senator Anna Fairclough

COMMITTEE CALENDAR

OPPORTUNITIES FOR RESOURCE DEVELOPMENT TO ADDRESS ECONOMIC
CHALLENGES IN RURAL ALASKA

- HEARD

HOUSE JOINT RESOLUTION NO. 30 am
Requesting that the federal government and the United States
Secretary of the Interior reconsider the Izembek Land Exchange
decision and approve the Izembek Land Exchange, allowing the
residents of King Cove to have road access to the Cold Bay
Airport for critical health and safety reasons and to improve
the quality of their lives.

- MOVED HJR 30 am OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HJR 30

SHORT TITLE: IZEMBEK LAND EXCHANGE

SPONSOR(S): REPRESENTATIVE(S) HERRON

02/26/14	(H)	READ THE FIRST TIME - REFERRALS
02/26/14	(H)	RES
03/10/14	(H)	RES AT 1:00 PM BARNES 124
03/10/14	(H)	Moved Out of Committee
03/10/14	(H)	MINUTE(RES)
03/12/14	(H)	RES RPT 9DP

03/12/14 (H) DP: JOHNSON, KAWASAKI, HAWKER,
P.WILSON, OLSON, SEATON, TARR, SADDLER,
FEIGE

03/18/14 (H) TRANSMITTED TO (S)

03/18/14 (H) VERSION: HJR 30 AM

03/19/14 (S) READ THE FIRST TIME - REFERRALS

03/19/14 (S) RES

03/26/14 (S) RES WAIVED PUBLIC HEARING NOTICE, RULE
23

03/29/14 (S) RES AT 10:00 AM BUTROVICH 205

03/29/14 (S) -- MEETING CANCELED --

03/31/14 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

JOHN SHIVELY, Chairman of the Board
Pebble Limited Partnership

POSITION STATEMENT: Presented moved on opportunities for
resource development to address economic challenges in rural
Alaska.

ED FOGELS, Deputy Commissioner
Department of Natural Resources (DNR)
Anchorage, Alaska

POSITION STATEMENT: Commented on rural economic opportunity
issues presentation.

REPRESENTATIVE BOB HERRON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of HJR 39.

HENRY MACK, Mayor
City of King Cove, Alaska

POSITION STATEMENT: Supported HJR 30.

GARY HENNIGH, City Administrator since 1989
City of King Cove, Alaska

POSITION STATEMENT: Supported HJR 30.

ACTION NARRATIVE

3:32:08 PM

CHAIR CATHY GIESSEL called the Senate Resources Standing
Committee meeting to order at 3:32 p.m. Present at the call to
order were Senators Bishop, Micciche, and Chair Giessel.

**Opportunities for Resource Development to Address Economic
Challenges in Rural Alaska**

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CHAIR GIESSEL announced an informational presentation on the opportunities for resource development to address economic challenges in Rural Alaska. It started with showing a video called: The Villages Documentary - by Director Tim Eaton. He said when they started this project in 2012 he knew almost nothing about Alaska. But in February last year on a frozen lake he learned a couple of things very quickly. One: cold in Alaska means very cold and two: there is a kind of raw beauty about it that is rugged and austere, but it is very inspiring. It takes a special kind of person to live in rural Alaska; you have to be tough and you have to have strong character.

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SENATOR FRENCH joined the committee.

MR. EATON said his goal in this project was to capture life in Southwest Alaska as it really is with no constraints. What they will see is from almost a year of shooting and many trips back to the villages. The film had no narrator; he decided to let the people of the villages tell their own story. They met a lot of wonderful people while making the film and the documentary is a tribute to them.

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SENATOR DYSON joined the committee.

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The movie ended at 3:55 p.m.

JOHN SHIVELY, Chairman of the Board, Pebble Limited Partnership, stated that Pebble paid for the movie they just saw, but they told Tim to go out and find his story. They had no editorial control over it. An internationally well-known economics consulting firm did an economic study and estimated there would be over 4,000 direct and indirect jobs during construction and over 2,000 during operations. The impact on the economy would be over \$400 million a year during the four to five years of construction and probably over \$1 billion in the first 25 years. He said it would be a significant tax payer, although not as good as oil.

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It would contribute over \$100 million/year in taxes, more than the entire commercial fishing industry does now. The state will have a royalty, part of which will go into the Permanent Fund because they are on state lands. Mr. Shively had said all along if the state wants to have a discussion about mining taxes and royalties that they are willing to do so.

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He switched to a slide that was made up from a table in the Department of Labor and Workforce Development (DOLWD) "Economic Trends Magazine." It showed the change in population by census district from 2000-2010. It was not a surprise that rural census district populations are declining including two of the three areas in the Bristol Bay Region, the Lake and Peninsula Borough and the Bristol Bay Borough. Dillingham had a slight increase, but if you look at migrating communities from a state policy view, in 10 years the Native population increased by 11.6 percent. No rural district had a population gain that high. The closest that came to it was Wade Hampton in the Yukon Kuskokwim area, which increased by 8.3 percent. What was very dramatic to him was the Native population in the Matsu Borough, which increased 63 percent in those 10 years.

MR. SHIVELY said a lot of his work had been in the last six years and but in the last two days he had been concentrating on the three census districts: Bristol Bay, the Lake and Peninsula Borough and the Dillingham census areas. Economic opportunities are needed out there where there is only a month-long fishing industry - even though it is a \$1.5 million commercial fishing industry. And he has no interest in damaging it. But its impacts have changed locally. When limited entry went in, over 80 percent of the limited entry permits, both drift and set net, were owned by people who lived in the region. Now 59 percent of drift netters are owned by people that don't live in the state; about one-third are owned locally and one-third are owned by other Alaskans, and one-third of the setnet permits are owned by people outside the state.

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He has been told that 12,000-16,000 jobs are tied to the industry, but they are very short term and mostly in the processing area that are minimum wage; over 80 percent are held by non-residents of the U.S. Since 2003, six schools have closed, four in the last three years. So the rate of school closure is increasing and a number of others are right on the edge.

MR. SHIVELY said they had spent a lot of time with elders and their visions aren't much different than a lot of people's in some ways. It's about jobs and keeping children in the villages. There are no job opportunities. To him it's about jobs and taxes, but it's also about what it can do for local people. Pebble has employed 130-180 local people, and Red Dog Mine has employed over 50 percent Alaska Natives even though rumors say Natives don't know how to do them.

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Their biggest problem was not recruiting Alaska Natives, but listening to people call up their local hire person and crying on the phone because they needed work. One example, Mr. Shively said was when he became CEO; a Nondalton boy named Jonathan Hobson became a driller's helper. He was very shy at first and would hide if the press came out, but two years ago Jonathan said he wanted to talk to the press and tell them what the job meant to him and to his family. He can now feed his family in the winter time and it has changed his life. Mr. Shively said stories like that is why he took the job at Pebble.

MR. SHIVELY said he didn't know if the mine would damage the fishery when he took the job, but after six years he knows this prospect can be built without damaging it. If they were going to do that kind of damage they wouldn't get through the permitting process, either state or federal. All they are asking is to be able to design this project, which is very complicated. They have spent \$150 million on their science and believe they can engineer a project that works. They intend to go ahead as soon as the EPA lets them.

SENATOR DYSON said people who overstate things tend to lose credibility. He had fished the Bay for 25 years and opponents say a catastrophe at this mine can ruin the whole Bay fishery that has five major rivers.

MR. SHIVELY said there are basically three drainages: Upper Talarik, Kvijack, and the south fork of the Kuktuli River, and there are eight different watersheds.

SENATOR DYSON said so even if the worst happens it won't destroy the whole fishery. His experience over 25 years was that even when one run gets really weak, fish will often get into drainages that smell like home. They are also out in the ocean for three years and if you lose a year, it will be replenished just because of the apparent randomness of when the fish choose to head for home.

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MR. SHIVELY related how streams have come back on their own - like after the Katmai Volcano erupted; it closed off a number of streams with extremely toxic material, but the fish came back ultimately. The same thing happened at the Mount St. Helens eruption. Some of the streams came back naturally and others because man stepped in and fixed them: the same thing in Prince William Sound and the '64 Earthquake. If something went wrong there could be a short term impact, but it wouldn't devastate the fishery.

Another thing he said to keep in mind is this is a low grade prospect. The ore averages less than 1 percent; over 90 percent of what they put in the tailings impoundment facility would be just dirt.

MR. SHIVELY said they bought into this process in good faith and had spent over \$600 million on it.

SENATOR DYSON said expending that much on something that got sawed off would have some chilling effect on other investments, as well.

MR. SHIVELY said the Frasier Institute does an annual survey of mining industry executives and measures a variety of different aspects of mining. So, the good news for Alaska is that we are number one in the world in terms of geological prospects and 23rd in terms of development challenges; and it's more expensive to develop here, which doesn't help.

SENATOR MICCICHE reflected that a 2008 statewide effort that was defeated the mine, essential, and then it got narrowed down to the "2011 Save Our Salmon Initiative," which passed by 37 votes, and that was recently struck down. He asked what the primary reason is for the people of Southwest to cut this project off at the knees before the effects can really be evaluated.

MR. SHIVELY said his theory is that the opponents have done a great job of persuading people that significant damage will be done to the fishery, and the efforts by the EPA to do a study on a mine that doesn't exist have added to that problem. People are being paid to oppose it and spread fear. They need to be concerned, but he knew a couple of elders who were absolutely opposed to the mine five years ago that changed their minds. At their last conference, the whole conversation was about what was going on in the village, what they can do for their kids and how

they can keep them there. Most of Pebble's support comes from people who live closest to the mining prospect and most of the opposition comes from people who live in Dillingham over 100 miles away.

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SENATOR BISHOP said he was around the periphery of this project since its inception, specifically at Iliamna, doing some work force development training locals on an airport project. And Mr. Shively was right; they can do the work. Enough people sitting here at the table supported him on a project to start the first-ever registered core driller apprenticeship training program on the planet.

MR. SHIVELY remarked that it was a very successful program.

SENATOR BISHOP said Jonathon Hobson started out as a driller in that program and is now very successful. He's portable; just give him an opportunity.

MR. SHIVELY said what goes behind the tailings impoundment facility is the waste stream that comes out of the processing plant (tailings). A little over 90 percent of the tailings is just dirt; other things are handled in a separate place in the impoundment facility so they don't come in contact with air and water, which together makes sulfuric acid.

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SENATOR BISHOP said they don't even have a project yet. They are just trying to do the analytical science to see if they even have a project.

MR. SHIVELY said that was correct.

SENATOR BISHOP said years ago there was some discussion about how this could be an underground project with a slurry pipeline to tide water with the processing being done somewhere else. Has that idea come and gone?

MR. SHIVELY explained that there are two parts of the prospect. Pebble West has to be an open pit; Pebble East is richer and could be underground further down, but that is significantly more expensive to develop. And it would still have the same tailings impoundment issues. The problem with moving the ore to another area to process - which they have considered on the Cook Inlet side - is that because it is only 1 percent and less mineralization you have to move a lot of stuff that has

absolutely no value. So, if you go underground, you still have the water treatment and the tailings impoundment facility, but you would probably not have the waste rock piles from the overburden.

CHAIR GIESSEL asked Deputy Commissioner Ed Fogels for a broad-brush explanation of how DNR approaches a large mine permitting process.

ED FOGELS, Deputy Commissioner, Department of Natural Resources (DNR), Anchorage, Alaska, said he continually hears two myths and wanted to inject a little bit of truth into them. One is that mines don't contribute to the state's economy and two that mines can't be permitted properly. On the contrary, mines are significant contributors to the state's economy and the department is able to permit them effectively. Looking at Alaska's record its clear the department has done a good job with the mining industry from an environmental perspective. He said Red Dog Mine successfully operated for many years now is one of the world's largest zinc mines and the main economic driver of the Northwest Arctic Borough; the water that the leaves that mine is treated and has a lower metals content than the naturally occurring waters and the fish populations are going down stream. The Kensington and Greens Creek Mines are both strong economic drivers for the economy of Juneau and they are operating soundly.

Fort Knox is a significant contributor to the Fairbanks community. They have created wetlands downstream with growing fish populations. Usibelli Coal Mine provides over 100 jobs to the rural community of Healy and has been successfully reclaiming its lands for over 50 years. The Pogo Mine provides jobs for Delta Junction and Fairbanks, and is operating in the headwaters of one of the most pristine and beautiful rivers in the Interior, the Good Pastor River.

MR. FOGELS said the department has a good mine team composed of experts from all the different agencies: all with advanced degrees. They work on permitting these mines and monitoring them for environmental compliance; they do regular inspections and bio monitoring to make sure the aquatic life downstream remains healthy. They continue monitoring the mines as they close, and post-closure they still monitor their care and maintenance.

MR. FOGELS said the state's large mine team was created over 20 years ago and is unique in the nation. It's coordinated by the DNR Office of Project Management and Permitting; it issues the

dozens of permits necessary for large mines from the state alone. It coordinates with federal agencies, which also issues dozens of federal permits. It also coordinates with the federal agencies to do the federal impact statement process, key to permitting any large project in Alaska.

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No one department can do all the permitting, but denial of one permit by any state or federal agency can. So, all agencies must work together and the experts have to agree that the permits are issuable for a particular mine.

He said, like all big industrial projects, mining projects are complex and never without issues. None of the projects will ever work perfectly. Their job is to evaluate those designs and make sure they are strong. The key is now making sure that each site is strongly monitored to find potential problems while they are still small.

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Alaska has 17 percent of the world's coal, 3.5 percent of the world's copper, 3 percent of the world's lead, 8 percent of the world's gold, 3 percent of the world's zinc, 1.5 percent of the world's silver, but Alaska is underexplored. Only 15 percent of the state land has been mapped at an inch to mile scale in geology and only 25 percent of it has been flown with geophysical surveys. There is a lot of potential to have these kinds of projects and it can be done properly. Most importantly, they have the wisdom and experience not to approve something when it won't work right.

He said his big messages were that their state agencies work for the people of Alaska. They have significant jobs to do and have to decide to issue their own individual permits that will be part of a coordinated process that will take anywhere from three to five years.

MR. FOGELS said they are currently looking at the permit applications for the Donlin Creek project that could provide one or two generations of high-paid jobs for the people of that region.

CHAIR GIESSEL said the average wage in the mining industry in Alaska today is \$100K/year. She asked him to elaborate on the Health Assessment Program.

MR. FOGELS said Alaska is the only state that has developed a state-lead health impact assessment program that is housed within the Department of Health and Social Services (DHSS). A number of years ago there was a call that the Federal Environmental Impact Statement (EIS) Process focused on the environment but wasn't doing an adequate enough job of analyzing the impacts to human health. The federal laws that drive the EIS process actually mention human health in the law and it was decided that more focus should be put on the impacts to human health.

So, they actually now have a medical doctor that has been hired by the DHSS whose job it is to sit on the large projects team to make sure that human health is brought into the equation in evaluating potential impacts, both positive and negative. No other state in the nation has developed a health impact assessment program the way this state has.

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SENATOR MICCICHE said the EPA received 850,000 comments about this project and wondered how to keep away from that sensationalism. Some projects aren't going to be right, but it requires a discussion before that determination is made.

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MR. SHIVELY said he had his own theories about that. But the not all of the 850,000 comments supported the EPA; 200,000 actually said the study was not adequate. Most comments were generated by pushing a button on an environmental organization's website and at least one environmental organization brought in a whole series of comments they'd actually collected from another issue. And the EPA actually extended the comment time the second time because Pebble was actually ahead for a while. It's a game.

They have evidence that this started in 2008 and was driven by Phil North that Lisa Jackson, the administrator of EPA, who were briefed on this in January of 2010, five months before they got the petition. In the briefing there was talk about the use of preemptive veto as a tool for zoning that EPA could do. When Administrator Jackson came to Alaska in 2010 and met with them she'd had that petition since May and didn't mention it, and evidence exists that they wanted to try to hush it up when they were in Alaska. He found out about it by accident through an article in the LA Times.

MR. SHIVELY said big money is driving some of this and the way to have a better discussion about issues like this is to go to

the villages and talk to the elders but it takes time. He admitted that industry had created problems and that mining does have a bad record before environmental standards were changed. The Kennecott is at the headwaters of the Copper River, for instance.

SENATOR FRENCH said he had questions, but realized they were running short of time and would save them for later.

CHAIR GIESSEL mentioned that Senator Coghill had filed a four-year request to the EPA on the documents that Mr. Shively was referring to on Pebble.

HJR 30-IZEMBEK LAND EXCHANGE

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CHAIR GIESSEL announced HJR 30 to be up for consideration. She said the Izembek land exchange is a public safety issue that is getting blocked by the federal government.

REPRESENTATIVE BOB HERRON, sponsor of HJR 39, Alaska State Legislature, described the current medical situation in King Cove where many years several deaths have been related to medevacs because there isn't a road. For instance, King Cove is experiencing 60 mph winds today and there is a 270 ft. Bering Sea trawler in port with an injured fisherman - severe eye injury - who requires medevac to Anchorage immediately. The Coast Guard will not go into King Cove and the trawler will not go over to Cold Bay, because of the rough seas. If the winds die down a bit the Coast Guard will go from Cold Bay to the end of the Izembek King Cove Road and maybe they can medevac that fisherman back to Cold Bay to go to Anchorage. Situations like this have happened many times.

Everyone is talking about how the road will ruin the Eel grass and Black Brandt, so the coordinating agencies - the feds, the state, local and Tribes - worked for four years to develop a corridor on which the closest the road can get to a single blade of Eel grass is one-half mile.

Of course, in the Congressional Act the land trade is 300:1. They are willing to trade 61,000 acres for the value of 206 acres for a "public safety only corridor." There are no other alternatives, and this will work.

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Again, the coordinating agencies, including Fish and Wildlife, submitted an EIS saying that a road makes most sense. Alaska ADF&G agreed and were surprised that Secretary Salazar and Secretary Jewell made the same decision to deny it - no action on the proposed swap and no action on the road.

REPRESENTATIVE HERRON related that Fish and Wildlife publicly stated that safety considerations are important but they were not a factor in the decision, since they only evaluate environmental impacts (not being a public safety organization). What is so incredulous about that is that the courts have told all federal agencies that all federal decisions must consider the human factor. All these facts are stated over and over in the resolution.

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SENATOR BISHOP said he concurred with his explanation of the resolution.

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HENRY MACK, Mayor, City of King Cove, Alaska, supported HJR 30. Audubon is concerned that this road will impact the wellbeing of migrating birds in the Izembek Refuge; Natives claim title to thousands of years of stewardship over this refuge and yet they were nowhere to be found in Audubon's concerns. Twelve people have been killed flying in and out of King Cove; countless relatives and friends have had their lives impacted being medevac'd out. He couldn't believe they were still dealing with this basic quality of life issue.

He said in mid-January they had asked Secretary Jewell to reconsider, but she hadn't responded so far. He concluded by urging the committee to approve this resolution that clearly expresses the needs of King Cove and that reaches far beyond.

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GARY HENNIGH, City Administrator since 1989, City of King Cove, Alaska, supported HJR 30. He had been active for 25 years on this road issue. He summarized key events of his 21st trip to D.C. on the Izembek issue saying he met with Kip Knutson, the Governor's point person in D.C., who relayed the message that the secretary had encountered him in another meeting a week prior and told him that he needed to tell Senator Murkowski to "get beyond this Izembek Road thing." However, Mr. Knutson told her that she could resolve the issue on her own by approving the land exchange and that the Senator would never get over it.

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CHAIR GIESSEL closed public testimony.

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SENATOR DYSON moved to report HJR 30 am, version 28-LS1533\A.A, from committee with attached fiscal notes and individual recommendations. There were no objections and HJR 30 am passed from the Senate Resources Standing Committee.

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Finding no further business to come before the committee, Chair Giessel adjourned the Senate Resources Standing Committee meeting at 4:59 p.m.