

**ALASKA STATE LEGISLATURE
JOINT MEETING
HOUSE RESOURCES STANDING COMMITTEE
SENATE RESOURCES STANDING COMMITTEE**

February 25, 2015

12:12 p.m.

MEMBERS PRESENT

HOUSE RESOURCES

Representative David Talerico, Co-Chair
Representative Mike Hawker, Vice Chair
Representative Andy Josephson
Representative Geran Tarr

SENATE RESOURCES

Senator Cathy Giessel, Chair
Senator Mia Costello, Vice Chair
Senator Bill Stoltze
Senator Bill Wielechowski

MEMBERS ABSENT

HOUSE RESOURCES

Representative Benjamin Nageak, Co-Chair
Representative Bob Herron
Representative Craig Johnson
Representative Kurt Olson
Representative Paul Seaton

SENATE RESOURCES

Senator John Coghill
Senator Peter Micciche
Senator Bert Stedman

COMMITTEE CALENDAR

OVERVIEW(S): ALASKA MINERS ASSOCIATION

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DEANTHA CROCKETT, Executive Director
Alaska Miners Association (AMA)
Anchorage, Alaska

POSITION STATEMENT: Presented an overview regarding the economic impacts and benefits of Alaska's mining industry.

KAREN MATTHIAS, Executive Director
Council of Alaska Producers (CAP)
Anchorage, Alaska
Alaska

POSITION STATEMENT: Presented an overview regarding mining in Alaska.

MIKE SATRE, Representative
Hecla Greens Creek Mining Company (HGCMC)
Juneau, Alaska

POSITION STATEMENT: Testified regarding Greens Creek Mining's permitting process.

ACTION NARRATIVE

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CHAIR CATHY GIESSEL called the joint meeting of the House and Senate Resources Standing Committees to order at 12:12 p.m. Representatives Josephson, Tarr, Hawker, and Talerico, and Senators Stoltze, Costello, and Giessel were present at the call to order. Senator Wielechowski arrived as the meeting was in progress.

OVERVIEW(S): Alaska Miners Association

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Chair Giessel announced that the only order of business would be an overview of mining in Alaska by the Alaska Miners Association and the Council of Alaska Producers (CAP).

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DEANTHA CROCKETT, Executive Director, Alaska Miners Association (AMA), said that the Alaska Miners Association (AMA) is a trade

association that represents the mineral industry in Alaska from large scale mines and projects to the placer mining membership, vendors and contractors, and anyone involved in the mining industry.

KAREN MATTHIAS, Executive Director, Council of Alaska Producers (CAP), said the Council of Alaska Producers (CAP) members are also members of the Alaska Miners Association (AMA) and work closely together. She expressed that safety is a core value for the mining industry and extended that safety should be a factor around in the home in the use of safety glasses.

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MS. CROCKETT referred to slide 3, of the Mining Industry Update presentation describing the importance of minerals in our lives in that, gold is anti-corrosive and is used to ascertain that air bags in cars deploy in the event of a crash; silver is used in hospitals for patients with burns to prevent a skin infection and to treat the burn; zinc is used to galvanize guard rails so they hold the car in a crash and is also used to prevent sunburn; copper tubes provide a safe potable water supply and copper also acts as a reliable conduit for smoke detectors and other emergency systems; lead provides battery strength necessary for emergency back-up power of computer server systems and telecommunications in the event of power failures; and platinum, silver, gold, and aluminum, which are found in Alaska, are critical elements of the iPhone.

CHAIR GIESSEL added that zinc is also found in diaper rash ointment and is very effective.

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MS. CROCKETT referred to slide 4, and advised that mining occurs virtually everywhere in Alaska. She said slide 5, is the Red Dog Mine in Northwest Alaska and is one of the world's largest zinc mines which also produces lead and silver. The Red Dog Mine is on NANA Regional Corporation land, is operated by Teck Resources, and that the partnership is celebrating over 25 years, she noted. She further noted that the Red Dog Mine employs 600 employees with a large percentage being Alaska Native and NANA Regional Corporation shareholders. The Red Dog Mine is the only tax payer in the form of the payment in lieu of taxes system in the Northwest Arctic Borough.

MS. CROCKETT referred to slide 6, and explained that the Fort Knox Mine is Alaska's largest producing gold mine, is on State of Alaska and Alaska Mental Health Trust Land and operated by Kinross Gold. She advised that Fort Knox employs 650 people all of whom live in Fairbanks and drive home at the end of their shift. She noted that Fort Knox is the largest property tax payer in the Fairbanks Northstar Borough. She referred to slide 7, and said it depicts the Usibelli Coal Mine in Healy, Alaska, adjacent to Denali National Park and Preserve which has been operating continuously since 1943. It employs 140 people who live in Healy where the mine pays the majority of the severance taxes for the Denali Borough. She noted that the Usibelli Coal fuels 30 percent of interior Alaska's energy supply and last year a study showed that without the coal in that electricity supply, interior Alaska's power would cost \$200 million more annually. Slide 8, depicts the Pogo Gold Mine near Delta Junction which is an underground gold mine operated by the Sumitomo Group and is entirely on State of Alaska land. The Pogo Gold Mine employs 320 people and has a promising future in that last year the mine spent \$57 million on capital expenditures alone.

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MS. CROCKETT referred to slide 9, and stated that the Greens Creek Mine in Juneau, Alaska, is one of the top 10 silver producers in the world and also produces gold, lead, and zinc. She advised that it is federally owned, is located on a national monument, and is operated by the HECLA Mining Company. Greens Creek Mine is the largest Southeast Alaska private employer in terms of payroll and it employs 415 people. She referred to slide 10, and advised that also located in Juneau is the Kensington Gold Mine. She described it as a an underground gold mine located in Lynn Canal, situated on State of Alaska, federal, and privately owned land, and is operated by Coeur Alaska, Inc. She remarked that Kensington Gold Mine is the second largest private employer in Southeast Alaska, employing 320 people.

SENATOR STOLTZE stated there is a side story on the Kensington Gold Mine in that its biggest challenge was not necessarily economics or engineering, but legal challenges and how long it took to get to approval.

MS. CROCKETT responded that the Kensington Gold Mine [lawsuit] went all the way to the U.S. Supreme Court before being approved and allowed to go into operation as there was litigation against

its tailings facility. She explained that Kensington Gold Mine, during litigation, had to lay off all of the workers that were ready to go to work. She pointed out that to have the mine open, operating, and benefiting Juneau today is a huge victory.

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MS. CROCKETT referred to slide 11, and noted that the exploration projects are highlighted, and the projects depicted by green triangles are projects in the stages of determining their economic feasibility, or are expected to go into permitting soon, or are in the permitting stage. She stated that the Upper Kobuk Mineral Project is pursuing deposits of copper, zinc, gold, and silver on NANA Regional Corporation land in the Ambler Mining District. She conveyed that Livengood, in Interior Alaska, will produce gold, that feasibility studies have been conducted, and the company [International] Tower Hill Mines is currently conducting project optimization. It estimates it will employ 450 people at production. The Donlin Gold Project is an open pit mine design in the Yukon Kuskokwim region, is in its permitting process which began in late 2012, and is proposing to develop a 315 mile natural gas pipeline from Cook Inlet to the mine site for its power plant. The project is located on Calista Native Corporation land and expects up to 1,400 employees at production. She explained that Wishbone Hill is a coal project proposed by Usibelli Coal Mine, Inc., which operates the states only coal mine and is situated in the Sutton area of the Matanuska-Susitna Valley. The permits of Wishbone Hill were upheld last year but it is currently evaluating the project given the market conditions for coal exports and, she related that it has the potential to employ 75-125 people in the Mat-Su region. She described Chuitna as a coal project proposed in West Cook Inlet, near Tyonek, and is on a combination of state, Mental Health Trust Lands, private, and Kenai Peninsula Borough lands. The project is currently in the permitting stage, expects draft permit decisions late this year or early next year, and expects 300-350 production jobs.

MS. CROCKETT pointed out that the Pebble Mine is a copper, gold, and molybdenum deposit in Southwest Alaska near Lake Iliamna. She explained that the project is located entirely on State of Alaska lands. Currently, she noted, the project proponents are actively seeking an investment partner in addition to conducting studies needed at the site, and it estimates it will employ up to 1,000 people at production. She offered that the last two projects are located on the Prince of Wales Island and that the Niblack Project is an underground copper, gold, zinc, and silver

project located on state and federally owned land. She advised it is undergoing engineering and environmental studies needed to support a feasibility study and the Niblack Project estimates approximately 200 employees at production. She offered that the last project is the Bokan-Dotson Ridge REE project which is a rare earth element deposit located entirely on federally owned land and the project is completing its studies to begin permitting.

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MS. MATTHIAS pointed out that there are only six large producing mines in Alaska, five metal and one coal. She referred to slides 12-13, and stated that mining companies pay its exploration, development, and construction costs. Alaska is unique in that often the deposits are in remote areas so the companies are also looking at paying for access and infrastructure for the project, she explained. For example, the Red Dog Mine and the Kensington Gold Mine are completely off the grid so they supply all of their own power. She noted that Green's Creek Mine and the Kensington Gold Mine built their own ports, the Pogo Gold Mine built a 50 mile electrical transmission line and a road to the site, and the Donlin Gold Project is looking at a 315 mile natural gas pipeline. She referred to permitting and advised that the state's costs for permitting are billed to the project, for example, the Donlin Gold Project is currently in state permitting and its reimbursable service agreement for this year totals \$900 thousand. She offered that there are also reimbursable service agreements for those mines that are already in operation because there is ongoing monitoring, normal regulation, and sometimes expansion that are being permitted. Another example, she offered, is the Red Dog Mine whose reimbursable service agreement with the state is \$659,000. There is also the financial assurance for reclamation and closure which the companies put up at the beginning of the project.

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SENATOR STOLTZE referred to the Chuitna Coal Project regarding The Alaska Mental Health Trust Authority (The Trust) and asked its percentage of ownership, or participation, and whether there are ideas of potential revenues. [He asked that the record reflect] The Trust's responsibility, and who the beneficiaries are, such as individuals with autism, Down's Syndrome, drug and alcohol abuse, Asperger's, who are the reason the Key Campaign was here. He stated he does not want to lose perspective that

that's just not ... irrespective it has become a poster child for advertising and so forth. He stated it is important to recognize the beneficiaries and the responsibility of The Trust. He said one of the potentials of revenues for The Trust beneficiaries ... the class of Alaskans ... many seen last week during the Key Campaign.

MS. CROCKETT responded that mining is a large contributor to the The Trust of which was given lands to develop in order to fund it moving forward. She advised she has seen both land ownership of how much acreage the Chuitna Coal Project is on versus the other borough and state land it is on, as well as what they are projecting their revenues will be. She advised does not know that information off the top of her head and will provide the information to Senator Stolze's office in a couple of days.

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MS. MATTHIAS referred to slide 14, and advised that an area they reviewed in terms of mining paying for itself, is emphasizing the long timelines and how capital intensive it is to bring a project into production in Alaska. The slide depicts the five metal mines in Alaska: two of them had twelve years between the deposit discovery and going into production; and two mines took more than two decades. She noted that Kensington was delayed due to litigation which was 27 years from what is defined as the first modern deposit discovery because it was a historic district. She pointed out that depending upon the project, developing the mine into production could be hundreds of millions of dollars, or many billions of dollars as these are very large scale projects. In that regard, it is understandable why companies need to have large market capitalization, access to financing, and plenty of patience. Yet, she stated, with regard to "First Production," these five large mines are young as the oldest, Red Dog Mine and Greens Creek Mine, started operations in 1989. She referred to slide 15, and stated that the Alaska Industrial Development and Export Authority (AIDEA) has been involved in infrastructure investment. The Alaska Industrial Development and Export Authority investment in the DeLong Mountain Transportation System (DMTS) which is the Red Dog Mine road and port, is \$265 million of which has been fully recouped and the payments as currently scheduled will continue to 2034. She reminded the committee that AIDEA's mission is economic growth and economic development for Alaska and that DMTS has been one of the best investments AIDEA has made to date as it helped the Red Dog Mine become an economic engine for the Northwest Artic Borough and also provided a steady and

reasonable rate of return on that investment. The Alaska Industrial Development and Export Authority also invested in the Skagway Ore Terminal. She pointed out that Skagway has a small population, its economy is reliant on seasonal tourism, and the jobs at the Skagway Ore Terminal are significant for Skagway's economy.

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MS. MATTHIAS referred to slide 16, and stated that mining has been involved in supporting infrastructure for over 100 hundred years. Mining in Juneau built the first hydroelectric dams and some are still in use today bringing clean affordable energy to this building. She advised that the Fairbanks Fort Knox Mine provided an economy of scale for an electrical generation that resulted in lower electrical rates for residential customers in Fairbanks. The Donlin Gold Project is looking at a natural gas pipeline which could be a "game changer" for Western Alaska in terms of bringing cheaper and cleaner energy into that section of the state. She stated "mining pays for itself." Ms. Matthias then referred to slide 17, and remarked that the five metal mines in Alaska are very young and this is a modern industry. The five mines were permitted under modern environmental laws after the passage of the National Environmental Policy Act of 1969 (NEPA) and the Clean Water Act (CWA). There is a one hundred year history of mining in Alaska but the metal mines are young, modern, and technologically advanced. She offered that these mines were permitted in 1980s-2000s, and the general public demands high standards in terms of safety, environmental protection, and responsible resource development.

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MS. MATTHIAS referred to slide 18, and stated that there is no one permit required to build a mine as each project is different and there are dozens of permits at the state, federal, and local level. In fact, she advised, the Donlin Gold Project estimates it is looking at approximately 100 different permits and authorizations. She related that submitting applications and going into the process is not a guarantee as projects have to prove they meet Alaska's tough standards. Once a mine goes into operation the strict regulatory oversight continues through the life of the mine. During the operating period the state's inspections to ensure that mines are complying with their permits, the costs of the state's regulatory oversight is billed to the mine. Ms. Matthias referred to slide 19, and advised

that when it comes time for a mine to close Alaska law is very clear. The mine site must be returned to a stable condition and, she advised that long before the mine goes into operation, the Reclamation Plan must be approved by the commissioner of the Department of Natural Resources (DNR). In that regard, the company must put up a financial assurance that is calculated by the regulators at third party costs so in the event the company is unable to step up and undertake the reclamation closure, the state has the resources to do so. She highlighted that the law, [AS 27.19], and its requirements apply equally to United States companies and non-United States companies. She explained that the amount calculated as necessary at the beginning is not set in stone and forgotten, as it is reassessed every five years or whenever there is a significant change.

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MS. CROCKETT referred to slide 20, and pointed out that the mining industry brings "amazing" economic benefits to Alaska. She advised that the mining industry provided: \$620 million to Alaska's miners; [\$144] million in Alaska Native Corporation revenues which under Alaska Native Claims Settlement Act (ANCSA) 70 percent of which are distributed to all regional and village corporations; in 2013, \$167 million in revenues went to the State of Alaska and local communities; \$169 million was spent in exploration and development of future mining activity; \$500 million spent on goods and services from Alaska businesses; \$3 million in charitable donations and scholarships; and 8,700 direct and indirect jobs that carry an average wage of \$100,000 annually and employ residents of over 50 communities of this state. She noted that half of those communities are in areas where there are few other economic opportunities. She pointed to slide 21, and stated that in addition to jobs, local spending, donations to non-profits, mining provides valuable and stable local government revenue. She highlighted that mines are the top property tax payers in the Fairbanks Northstar Borough, Northwest Arctic Borough through the Payments in Lieu of Taxes (PILT) Program, and the City and Borough of Juneau. Mines also pay various forms of taxes to the Denali Borough and the City of Nome, and noted that the Pogo Gold Mine, which is not in an incorporated borough, makes a significant donation each year to Delta Junction and has established a community advisory board.

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MS. CROCKETT referred to slide 22, and advised that placer mining takes place almost exclusively for gold but on a much

smaller scale in terms of operation size, employee count, with the major difference being it does not use a blasting or milling process, or chemicals to separate the gold from the rock. She related that placer mining is becoming less common except in Alaska. She referred to "Placer Mining in Alaska" insert within the "The Economic Benefits of Alaska's Mining Industry" brochure submitted to the committee and explained that this is a study the Alaska Mining Association commissioned to determine the economic impact of placer mining in Alaska. The results were, in addition to the six large operating mines, that there is a seventh large operating mine which is the combined placer mining industry. She stated that there are approximately 300 hundred placer operations actively mining that mine over 82,000 ounces of gold each year. She noted there is a strong link between the number of placer mines and production and the price of gold. She referred to slide 23, and stated that in 2013 there were approximately 1,200 jobs in Alaska's placer mining industry and on average each mine had 4 workers but 27 percent of the mines had only a "single one man band." She commented that Alaska has a few significant larger placer mining operations that employ 50 or more people. Of the 1,200 workers, 73 percent are Alaska residents with the total placer mining related employment impact is 450 jobs in Fairbanks, 370 in the Anchorage and Mat-Su region, and 600 outside of those two. She pointed out that well over half of the placer mining jobs are outside Alaska's major population centers, and a total direct income which includes wages, shares of production, and owner profits are estimated at \$40 million for 2013. Interestingly, she said, nearly half of the active placer operations have employees with at least one family member working there, and their goal is to establish that mining is the family farm of the north.

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MS. CROCKETT referred to slide 24, and explained that on a procurement level placer miners spent approximately \$65 million on goods and services in 2013, and 88 percent of that was spent in Alaska. Fairbanks had the highest impact at \$32 million, followed by Anchorage at \$16 million, and the remaining \$8.5 million was spent elsewhere in the state much of which supported small rural economies. She referred to slide 25, and advised that as to reclamation and placer mining operations, its permits require it to restore the land to previous or better condition. Reclamation techniques in Alaska generally are not a one-size fits all for placer mining as the vast majority in this case is in the AMA membership and the miners have been there for several decades. She advised that many of AMA's placer miners have been

honored by the Bureau of Land Management (BLM) and DNR for their reclamation efforts.

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MS. MATTHIAS referred to slide 26, reiterating that mining pays for itself in covering its exploration and development costs as well as permitting, contributing to infrastructure, following environmental regulations, together with the requirement that the companies provide financial assurance for reclamation and closure. She stated that the economic benefits of mining regarding the 8,700 jobs in mining, which offer direct and indirect jobs, and the average salary being \$100,000 per year. She questioned why, with the above information, there isn't more mining in Alaska. Ms. Matthias opined that a portion is permitting uncertainty as on the state level the mining industry is confident in the rigor and strength of permitting agencies, and noted it is important the permitting agencies are funded to do the job thoroughly and efficiently. She specified that the uncertainty is on the federal side and as an example, last year the United States Environmental Protection Agency (EPA) started a process that could preemptively veto the Pebble Project before it submits an application to be reviewed under the National Environmental Policy Act of 1969 (NEPA) process. She advised that this is the first time it would be done since the history of the Clean Water Act. It worries not just mining in Alaska, but people all over the country because it is unprecedented and involves more than just the mining industry. She stated it is not just about the Pebble Project in that permitting delays impact companies such as Greens Creek. She said that Greens Creek started operations in 1989, and recently it needed to expand its existing tailing storage facility. She pointed out that ultimately it was approved as an 18 acre expansion of an existing facility that took five years for permitting. She referred to slide 27, and stated that during the period of January 2011-January 2015 the S&P/TSX Global Mining Index dropped 50 percent. She related that people do not follow metal prices quite as closely and they follow oil and many are unaware of the continuing decline in metal prices since the highs of 2011. She offered that during that same time frame, 5 global mining companies active in Alaska saw an average 75 percent decrease in its share price. The impact of lower metal prices is especially seen in exploration spending so generally the companies that develop and operate large mines "The Majors," and companies going out looking for the next large deposit, do the exploration are referred to as "The Juniors." The Juniors tend to cover the costs of its operations by raising money

predominantly on the Canadian Stock Exchange. She stated that investors are uncertain due to lower metal prices and are looking at non-mining investments. Globally, exploration was cut in half between 2012 and 2014, but in Alaska there is a record high in 2011 of \$365 million. She explained that the money was raised in Canada and spent in Alaska on exploration drilling, helicopters and transportation, and remote camp services. She remarked that last summer the amount spent on exploration in Alaska was \$67 million, which is a large drop from the numbers in 2011.

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MS. MATTHIAS responded to Representative Josephson that according to AMA's McDowell report, in 2011 exploration spending in Alaska was \$365 million.

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SENATOR WIELECHOWSKI asked for a basic understanding of why metal prices have gone down as the economy is doing well. He said oil has gone down because there is a glut of oil, but with the economy going well there would be more of a need for these metals.

MS. MATTHIAS responded that it is hard to underestimate the impact that China has on the base metal prices. During the 1980's the amount of base metals China was consuming was a small percentage and now 45 percent of zinc in the world is bought by China. She pointed out that China's economic growth has slowed over the last couple of years, and there are also complicated issues such as stock piling, hedging, and futures that she does not have the expertise to discuss.

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MS. MATTHIAS referred to slide 28, and advised the impact of metal prices going down, exploration spending going down, and operating costs going up. The slide depicts the difference in prices in a 10 year span between 2003 and 2013 and during that period salaries are going up, equipment almost doubling, and the price of diesel tripled. She noted that fuel prices are a lot lower right now and that is true if an individual lives in South Central Alaska, and it is relatively true in Juneau, but it is not true in rural Alaska. For example, she remarked, the Red Dog Mine, which is entirely off the grid, must bring in approximately 20 million gallons of fuel, a year's supply, to

power the entire operation during the period the port is ice free, and pays July 2014 prices. She noted this equates to it paying some of the highest diesel prices around and will only see relief on its diesel prices if the prices are low next July. She referred to slide 29, and pointed out that the decline in exploration spending has a real impact in communities where employees of mining companies are living. She depicted, on the slide, that in 2012 the little orange dots represent over 120 communities where at least one mining employee lived. She stated that one of the issues AMA has been most proud is the rural regional impact of mining in Alaska. She pointed out that two years later there are fewer communities where mining employees live, which is directly connected to less exploration activity. The good news is that the overall jobs numbers in mining have not gone down much because the producing metal mines have added jobs. Although prices have declined and operational costs have increased, the five producing metal mines are employing people at good salaries, contributing to local and state government, making payments to Alaska Native Corporations, and buying local goods and services, all while maintaining the strictest standards on environmental and safety.

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MS. CROCKETT referred to slide 30, saying the single largest factor to continue to draw investment to Alaska is its potential to bring increased activity on the mining scale, both discovered and undiscovered. Alaska has an excellent reputation and it is known that Alaska has "really great rocks." Alaska has world class deposits that despite some formidable challenges both economically and politically are worthy of pursuit and will bring new investment, more jobs, and countless other benefits to Alaska. In addition, the mining industry has tremendous support from the State of Alaska lawmakers and the general public. Referring to slide 31, she recapped that mining passes the test, and will continue to work for Alaska as the six large producing mines and hundreds of placer mines have bright futures, and future projects bring the promise of an increasingly diversified economy. The mining industry has excellent environmental and safety records and intends to build on those successes moving forward. The industry has proven to be a significant contributor to the economy and, she reiterated, Alaska's mineral resources are significant and impressive on a global scale which will put Alaska in the spotlight for increased mining and subsequently increase economic benefit for the state.

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SENATOR WIELECHOWSKI queried where the mining industry is headed in the near future in terms of rare earth minerals.

MS. MATTHIAS answered that there is a project on the Prince of Wales Island that is a rare earth deposit. She related what is special about the project is that there is a segment of rare earth that is considered rarer than rare earth. These elements are considered "heavy," and a fraction are being pursued at the Bokan-Dotson Ridge REE project. Currently, she explained, there are other rare earth deposits in the state that are not being actively pursued at this time. Alaska stands to be the sole domestic supplier of rare earth to the United States. She advised that almost 100 percent is being imported from China and Alaska would be the one domestic supplier in the United States should the Bokan-Dotson Ridge REE project move forward.

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REPRESENTATIVE TARR stated that in reference to the Pebble Mine and the Mount Polley mine disaster, she noted that the design of the tailings pond to be somewhat similar. She then referred to the reclamation piece of the presentation and reiterated that at least \$500 million was estimated in reclamation costs, yet the company had only \$14.5 million in its bonds. She questioned the relationship between \$500 million and \$14.5 million.

MS. MATTHIAS expressed that the Mount Polly disaster was unacceptable and should never have happened. She opined that track record of mines in Alaska that have tailings storage facilities is excellent, and AMA is confident that the State of Alaska has a robust regulatory system. She explained that the dam safety officer's responsibility is oversight of design, construction, and monitoring of the tailing storage facilities. She said that the Pebble Project has not submitted an application and does not know exactly what the Pebble Project's operation would look like. She described it as premature to access its tailing storage facility options when AMA lacks information at this point. She assured Representative Tarr that the company will be looking at the best available technologies in order to put forward the application.

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[Senator Giessel passed the gavel to Co-Chair Representative Talerico, House Resources Standing Committee.]

SENATOR COSTELLO questioned the taxes on the mining industry and how Alaska compares with other jurisdictions in the world, and whether Alaska is competitive.

MS. MATTHIAS pointed to the committee handout entitled "Mining Works for Alaska," and midway there is information presented that goes into the details of mining taxation in Alaska. She advised that some years ago the State of Alaska hired an international consultant, Dr. James Otto, to review mining taxation. She remarked that Dr. Otto determined that Alaska was at the middle of the pack in terms of competitiveness with mining jurisdictions and the rest of the world.

SENATOR COSTELLO referred to DNR's successful Office of Project Management and Permitting (OPMP) paid for by the companies themselves. She asked if any improvement is expected in terms of the permitting process becoming less timely.

MS. CROCKETT replied that permitting on the state level (OPMP) provides permit coordination among both state and federal agencies where generally on the federal level there are many struggles. She offered that the employees with OPMP are engaged with the federal agencies that Alaska projects need permits from as well. On the state side there is always room for improvement but AMA is happy with both the timeliness and the rigor and standards of the system. On the federal side the biggest issues are uncertainty and delay in receiving [permits].

SENATOR COSTELLO indicated that her question was whether the process could be less time intensive, not less timely.

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REPRESENTATIVE TARR requested specific examples of the federal delays that are problematic, excluding the Pebble Project.

MS. MATTHIAS answered that the most recent example is Greens Creek and the expansion of an existing tailing storage facility that took five years and ultimately what was approved was an 18 acre expansion. She described it as a considerable amount of time for a permit of an existing facility to be expanded.

REPRESENTATIVE TARR requested that Ms. Matthias explain how the end result was different from the initial application to understand why it might have taken five years.

MS. MATTHIAS deferred to Mike Satre of Greens Creek.

MIKE SATRE, Representative, Hecla Greens Creek Mining Company (HGCMC), said Greens Creek Mine initiated a National Environmental Policy Act of 1969 (NEPA) process requesting an expansion for the tailings facility in late 2009. He advised that approximately 150 acres of tailings expansion was requested to support more than the full potential by asking for everything at one time. He explained that it could be opened up incrementally in order that Greens Creek could review the cumulative impacts of ongoing development in the area. At the time the process began it was estimated to take approximately two years on the federal side and then there would be some permits following that. The Greens Creek Mine ran into significant delays during development of the draft Environmental Impact Statement (EIS) process which ultimately lead to a delayed issuance of the Record of Decision. Due to the change in the Record of Decision they were allowed a small expansion relative to the original expansion requested. Mr. Satre noted there were delays in the Section 404 permitting process because the project had changed and Greens Creek had to look at different issues in how it would deal with litigation on the wetlands. It was the hope of Greens Creek to take a good hard look at, together with all the stakeholders on Admiralty Island and Juneau, the long term accumulative impacts of establishing a tailings facility off the mine. Unfortunately, he advised, Greens Creek has a tailings facility that will barely support its 10-year mine life. Therefore, he remarked, it will have to start another full NEPA process within the next two years.

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CO-CHAIR TALERICO advised he was involved in safety in this industry at one time, and that safety has turned into a regular routine. He stated that the mining industry's safety records are good and recommends to anyone in any industry that it is a good idea to start the day with a safety share.

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ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 1:05 p.m.