

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

February 16, 2018

1:06 p.m.

MEMBERS PRESENT

Representative Andy Josephson, Co-Chair
Representative Geran Tarr, Co-Chair
Representative John Lincoln, Vice Chair
Representative Harriet Drummond
Representative Justin Parish
Representative DeLena Johnson
Representative David Talerico
Representative Mike Chenault (alternate)

MEMBERS ABSENT

Representative Chris Birch
Representative George Rauscher
Representative Chris Tuck (alternate)

COMMITTEE CALENDAR

HOUSE BILL NO. 267

"An Act requiring the release of certain records relating to big game hunters, guided hunts, and guided sport fishing activities to municipalities for verification of taxes payable; and providing for an effective date."

- HEARD & HELD

PRESENTATION(S): PEBBLE MINE STATUS UPDATE

- HEARD

HOUSE BILL NO. 217

"An Act relating to the Alaska Food, Drug, and Cosmetic Act; relating to the sale of milk, milk products, raw milk, and raw milk products; and providing for an effective date."

- MOVED CSHB 217(RES) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 267

SHORT TITLE: RELEASE HUNTING/FISHING RECORDS TO MUNI
SPONSOR(s): REPRESENTATIVE(s) EDGMON

01/12/18 (H) PREFILE RELEASED 1/12/18
01/16/18 (H) READ THE FIRST TIME - REFERRALS
01/16/18 (H) CRA, RES
01/25/18 (H) CRA AT 8:00 AM BARNES 124
01/25/18 (H) Heard & Held
01/25/18 (H) MINUTE(CRA)
02/08/18 (H) CRA AT 8:00 AM BARNES 124
02/08/18 (H) Moved CSHB 267(CRA) Out of Committee
02/08/18 (H) MINUTE(CRA)
02/14/18 (H) CRA RPT CS(CRA) 4DP 2NR
02/14/18 (H) DP: DRUMMOND, LINCOLN, KREISS-TOMKINS,
PARISH
02/14/18 (H) NR: TALERICO, SADDLER
02/16/18 (H) RES AT 1:00 PM BARNES 124

BILL: HB 217

SHORT TITLE: RAW MILK SALES; FOOD EXEMPT FROM REGS
SPONSOR(s): REPRESENTATIVE(s) TARR

04/07/17 (H) READ THE FIRST TIME - REFERRALS
04/07/17 (H) RES, FIN
04/12/17 (H) RES AT 1:00 PM BARNES 124
04/12/17 (H) Scheduled but Not Heard
04/13/17 (H) RES AT 5:00 PM BARNES 124
04/13/17 (H) -- Continued from 4/12/17 --
04/14/17 (H) RES AT 1:00 PM BARNES 124
04/14/17 (H) <Bill Hearing Postponed>
04/17/17 (H) RES AT 1:00 PM BARNES 124
04/17/17 (H) Heard & Held
04/17/17 (H) MINUTE(RES)
01/31/18 (H) RES AT 1:00 PM BARNES 124
01/31/18 (H) Heard & Held
01/31/18 (H) MINUTE(RES)
02/07/18 (H) RES AT 1:00 PM BARNES 124
02/07/18 (H) Heard & Held
02/07/18 (H) MINUTE(RES)
02/14/18 (H) RES AT 1:00 PM BARNES 124
02/14/18 (H) Heard & Held
02/14/18 (H) MINUTE(RES)
02/16/18 (H) RES AT 1:00 PM BARNES 124

WITNESS REGISTER

TIM CLARK, Staff
Representative Bryce Edgmon

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 267 on behalf of Representative Bryce Edgmon, sponsor.

MARK HAMILTON, Executive Vice President for External Affairs
Pebble Partnership
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation entitled, "A New Path Forward," and answered questions.

MARIT CARLSON-VAN DORT, Director of Regional Affairs
Pebble Partnership
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the Pebble Mine status update.

ABE WILLIAMS, Commercial Fisherman
Anchorage, Alaska

POSITION STATEMENT: Spoke of the value of the Pebble Mine project to the communities of Southwest Alaska.

WAYNE FLOYD, Co-owner
Cool Cache Farms
Nikiski, Alaska

POSITION STATEMENT: During the hearing of HB 217, testified in support of Amendment 2.

CHRIS FLICKINGER, Spokesperson
Kodiak Chapter
Alaska Farm Bureau, Inc.
Kodiak, Alaska

POSITION STATEMENT: During the hearing of HB 217, testified in support of Amendment 2.

ACTION NARRATIVE

[1:06:57 PM](#)

CO-CHAIR ANDY JOSEPHSON called the House Resources Standing Committee meeting to order at [1:06] p.m. Representatives Josephson, Chenault (alternate), Parish, Talerico, Drummond, Johnson, Lincoln, and Tarr were present at the call to order.

HB 267-RELEASE HUNTING/FISHING RECORDS TO MUNI

[1:08:01 PM](#)

CO-CHAIR JOSEPHSON announced that the first order of business would be HOUSE BILL NO. 267, "An Act requiring the release of certain records relating to big game hunters, guided hunts, and guided sport fishing activities to municipalities for verification of taxes payable; and providing for an effective date."

[Before the committee was the committee substitute (CS) for HB 267(CRA), labeled 30-LS0808\J.]

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TIM CLARK, Staff, Representative Bryce Edgmon, Alaska State Legislature, on behalf of Representative Edgmon, sponsor of HB 267, paraphrased from the following sponsor statement [original punctuation provided]:

For boroughs and other municipalities that bring in revenues through levies on fish and game guiding, CSHB267(CRA) will provide a tool to help confirm that activities within their jurisdictions subject to taxation are being accurately reported to them. The bill would allow municipalities access to certain records collected by the state that relate to big game hunters, guided hunts, and guided sport fishing for the purpose of verifying taxes payable. All such information would remain confidential.

The access that CSHB267(CRA) permits municipalities is modeled after long-existing provisions in AS 16.05.815(a)(4) and AS 43.75.133, both of which allow local governments to review certain records, reports, and returns to verify payment of local commercial fishing taxes.

With state-government cutbacks resulting in greater responsibilities and costs being borne by local governments, all necessary resources should be made available to our municipalities to ensure they are receiving the revenues due to them according to their local ordinances.

MR. CLARK pointed out at the time the information is made available to municipalities, the strict confidentiality required of state agencies would apply to the municipalities as well.

REPRESENTATIVE PARISH directed attention to [an email dated 2/15/18, provided in the committee packet] in opposition from the Big Game Commercial Services Board (BGCSB), Division of Corporations, Business and Professional Licensing, Department of Commerce, Community & Economic Development, which stated its concern about confidentiality.

MR. CLARK opined BGCSB would be less concerned about confidentiality when apprised of [CSHB 267(CRA), Version J]. The bill was amended by the House Community and Regional Affairs Standing Committee to clarify the confidentiality requirements; furthermore, the consequences to an official for a breach in confidentiality would constitute a class A misdemeanor.

CO-CHAIR JOSEPHSON asked whether municipalities feel they are not getting revenue to which they are entitled.

MR. CLARK explained affected municipalities have very large jurisdictions and may be unaware of all hunting and fishing guiding activities. In addition, some guides may be unaware of municipal or borough ordinances, and some may forget to pay taxes or fees; however, most businesses will remit delinquent taxes when notified.

CO-CHAIR JOSEPHSON observed some guides or transporters may work outside the seat of government.

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MR. CLARK agreed and gave the example of regions that are accessed by floatplane and not through an airport managed by a borough.

REPRESENTATIVE JOHNSON asked whether there are other state tax records to which municipalities have access.

MR. CLARK said certain Alaska Statutes allow municipalities access to records regarding commercial fishing from the Tax Division, Department of Revenue.

REPRESENTATIVE TALERICO observed from his experience most municipal codes require a municipality to keep accurate records, and also include confidentiality clauses; furthermore, general accounting rules and standards are explicitly followed to maintain accuracy for auditing purposes. He said the issue was discussed thoroughly at the time the bill was heard by the House

Community and Regional Affairs Standing Committee, and expressed his confidence in the conduct of municipalities.

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HB 267 was held over.

PRESENTATION(S): Pebble Mine Status Update

[1:17:55 PM](#)

CO-CHAIR JOSEPHSON announced that the next order of business would be a presentation by the Pebble Limited Partnership on the status of the Pebble Mine.

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MARK HAMILTON, Executive Vice President of External Affairs, Pebble Mine, provided a PowerPoint presentation entitled, "A New Path Forward." He first presented the following observations:

- 1. The project is located on state land within the Lake and Peninsula Borough, 200 miles southwest of Anchorage and 17 miles northwest of Iliamna; the project is located on land that is open for mineral entry and the prospect should be given full vetting; the deposit was discovered in the late 1980s and work began by Northern Dynasty Minerals in 2004; the work has discovered a world class deposit of copper, gold, and molybdenum
- 2. The partnership recognizes the cultural and commercial importance of salmon to residents of Southwest Alaska, and has undertaken environmental, engineering, and technical work with a focus on understanding fish and water resources affected by the project, work that has gone ignored
- 3. The partnership seeks the opportunity to submit plans for permitting and reviewing processes in a manner similar to other projects; on 12/22/17, the U.S. Army Corps of Engineers (USACE) announced the beginning of the environmental impact statement (EIS) process as set out by the National Environmental Policy Act of 1969 (NEPA), and in which the project will participate fully
- 4. All Alaskans should know the U.S. Environmental Protection Agency's (EPA's) attempt to block the project from filing its permits created an unscientific study to justify its goal; the action to preemptively block the project was a troubling precedent for all future development in Alaska; a regulatory agency should not have

the ability to preemptively stop or approve a project; the action has garnered much opposition from Alaska entities and lawmakers

- 5. Many opinions about the project have been formed from skewed stories and advertising, and without complete and accurate information

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MR. HAMILTON presented three slides which were photos of Twin Lakes that have been used in opposition advertising; however, he said the photos are of property 85 miles from the project. Two slides illustrated the actual project site in Bristol Bay - which encompasses nearly 45,000 square miles - and an illustration of the Bristol Bay watershed of 40,000 square miles. An illustration of the Pebble Mine study area indicated three sub-basins: North Fork Koktuli River, South Fork Koktuli River, and Upper Talarik Creek, which encompasses 400 square miles or 1 percent of Bristol Bay. Continuing to the project permitting process, Mr. Hamilton presented a slide entitled, "Project Development Timeline," and pointed out the project is presently in the permitting process, including opportunities for public involvement. He said USACE and the third-party independent engineering and consulting firms selected by USACE would establish the rules for the EIS. He characterized the project as a much smaller mine, and presented a slide entitled, "Pebble Project Description" that illustrated components of the project, including the transportation corridor and gas pipeline. Slides 15 and 16 depicted hypothetical mine sites by EPA that were 4.2 square miles and 13.5 square miles. Slide 17 depicted the current project plan of 5.9 square miles; the study area is 1 percent of Bristol Bay, and the mine is approximately 1.5 percent of 1.0 percent. A slide entitled, "Mine Operations" illustrated the process of mining from excavating, hauling, crushing ore to 6-inch pieces, grinding ore to powder, froth flotation with the addition of chemicals, scraping from the tailings pond, concentrate dewatering to final tailings, gold/copper concentrate storage in sealed containers, and shipping to the smelter. The next [untitled slide] was an artist's rendition of the pit and overburden pile. A slide illustrated water treatment plants which are a significant part of a mine, and he explained the project would have two water treatment facilities that would intercept any water reintroduced to the environment; also pictured was the tailings pile and seepage pond of the Gibraltar mine [British Columbia, Canada].

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Mr. Hamilton continued to a slide entitled, "Tailings Storage Facility" and said the project would get its dam permit from the Alaska Dam Safety Program, Division of Mining, Land and Water, Water Resources Section, Department of Natural Resources, although the dam looks more like one-half of a mountain. The dam would be located at the tip of the tailings facility and is the means to ensure the tailings pond does not overflow or give way. Another rendition pictured the tailings facility and the seepage pond designed with a French drain that is a flow-through system to prevent a large build-up of water behind the dam. In addition, about 12 percent of the tailings may be acid-generating and thus would be in another pond covered with water. Further, there would be inner and outer walls to contain overflow in the pit. Mr. Hamilton referred to [the Mount Polley mine disaster in British Columbia, Canada], noting the Pebble Partnership learned a great deal about the mine disaster in order "to explore the failure scenario" because of the risk to the mine (slides 24 and 25). He pointed out the Mount Polley mine tailings dam did not have a flow-through design - but had a 1:1.5 slope instead of 1:3 - and was used to hold water. Continuing to slides 27-35, he restated the Pebble Mine study area consists of about 1 percent of the Bristol Bay watershed; in terms of fish production, the affected watershed is less than 0.5 of 1 percent, and of that 82 percent exists in Upper Talarik Creek; however, mine facilities have been moved from Upper Talarik Creek - except for a road - leaving a small number of fish at risk. Therefore, all of the tailings storage and risk involves the North Fork of the Koktuli River. Although the project is not fully designed, EPA reported in the case of a breach, over the course of one decade, physical habitat would travel 9 to 30 [kilometers] down the North Fork of the Koktuli River before it enters the Mulchatna River. He remarked:

But, remember that the EPA specifically said a couple of things that apply. One is, specifically, [EPA] said they would not use the best engineering, and number two, they would not allow remediation. Well, Mount Polley began very, very quickly with remediation, so we're looking at a tailing[s] facility that could possibly threaten .02 percent of all the sockeye in Bristol Bay. Remember they said no mitigation - you're legally and morally obligated to do remediation and that's what Mount Polley did.

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MR. HAMILTON further explained Mount Polley immediately began revegetation and quickly restored the water, and the plants and fish returned one year later (slides 37-39). For the Pebble project, environmental management continues, including updating permits and favorable regulatory inspections. He said the project transportation system is designed to minimize any ecological impact by utilizing an ice-breaking ferry instead of a road. He presented a slide entitled, "Transportation System" and a slide entitled "Ice-Breaking Ferry" that pictured various ferries and gave an example of their use. Mr. Hamilton concluded the use of a ferry would result in fewer bridge crossings of streams, fewer roads, and less impact on wetlands [slide entitled, "Ferry Reduces Wetland Impact"]. Returning to the concentrate in the mine, a slide entitled, "Mineral Concentrate in Covered Containers" pictured concentrate loaded in a truck and placed in sealed containers for transfer into the hold of a ship; the ships would travel to a smelter in the Far East every two weeks. An illustration of port operations in Turnagain Arm was presented. He continued to energy infrastructure, noting the project needs about 230 megawatts to power the mine; natural gas would be supplied by a 188-mile-long pipeline from existing natural gas infrastructure on the Kenai Peninsula to the mine, further energizing Southwest Alaska. For example, the project would provide electric power to villages at cost via state-funded infrastructure. Expansion of electric power and natural gas would present a business opportunity for a Native corporation to form a utility. Moreover, Mr. Hamilton suggested additional power would enhance the economic value of the Bristol Bay fishery. Because of the permitting time and construction period, the project has three years to prepare workers for construction jobs, and sufficient time to educate the mining engineers needed for mine production.

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Mr. Hamilton said the Pebble Mine is not the biggest in Alaska (slide 52). Although the price of ore seven years in the future is unknown, the mine would be a boon to the Lake and Peninsula Borough, adding approximately \$20 million into the borough's economy. He estimated the project's budget at \$400 million per year, providing over 750 direct jobs, and 1,500-2,000 seasonal and construction phase jobs, at an average mining wage of \$100,000. He stressed mining jobs are highly desired in the region and workers are exceptional. A slide entitled, "Mining & Fish Co-Exist" illustrated mine locations in the state, and he said mining and fish co-exist in every mine in the state. He turned to environmental issues and said copper is increasing in

value because of electric cars and cell phones; mining cannot continue only in countries without environmental protections. Speaking not as a representative of Pebble Mine, but as an Alaskan, he urged the committee to review the methodology of opponents to development, and their tactics such as those used against the development of the Pebble Mine and the Arctic National Wildlife Refuge.

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REPRESENTATIVE CHENAULT spoke of Mr. Hamilton's previous careers and expressed his interest in why Mr. Hamilton "has taken on this project."

MR. HAMILTON responded he was happy in retirement; however, he spent one month reviewing the circumstances of the project and then decided "this is a wrong that needs to be righted."

REPRESENTATIVE PARISH asked how the tailings storage would be adapted to cold weather.

MR. HAMILTON said the ice-breaking ferry would cross the lake once per day during production carrying sealed containers of concentrate. For the tailings facility there is less concern about dust in winter, but snowpack and snowmelt must be closely monitored. He concluded cold presents no effect.

REPRESENTATIVE PARISH asked about the tailings operations at the Red Dog mine, the Fort Knox mine, and the Pogo mine.

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MR. HAMILTON stated all have tailings facilities and Fort Knox also has a leach pile; all monitor water usage and storage due to their importance to mine operations.

CO-CHAIR JOSEPHSON recalled testimony [presented before the committee on 2/27/17] by United Tribes of Bristol Bay (UTBB) informing the committee that 150 borehole sites were visited and 107 were documented, [71] with environmental issues. Co-Chair Josephson surmised from looking at slides of the sites - and from testimony from a UTBB consultant - the boreholes did not look not fully restored, which is why the Department of Natural Resources (DNR) required "a special bond for Pebble that it previously hadn't required." He asked whether Pebble asserts the borehole sites were fully restored, and for information related to the exploration bonds that were required.

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MR. HAMILTON said the Pebble boreholes have all been inspected and closed; in fact, boreholes were shown in some of the slides he presented, but cannot be seen. Like a closed oil well, everything around a closed borehole is restored. He advised remediation is planned at the start of a project and a bond is posted to ensure a mine is closed and environmentally evaluated.

CO-CHAIR JOSEPHSON expressed his understanding DNR required Pebble to post an atypical cash bond.

MR. HAMILTON opined DNR increased the level of environmental protection.

CO-CHAIR JOSEPHSON read a portion of a letter dated 11/30/16 to Andy Mack, commissioner, DNR, from Robert Heyano, president, UTTB, as follows:

In short, our scientists found acidic soils with high metal concentrations, leaking wells, dead vegetation, and improper drill casing closures at inspected drill sites; all causes of concern for safety and water quality in Bristol Bay.

CO-CHAIR JOSEPHSON questioned whether Mr. Hamilton's position is all of Pebble's 1,700 drill sites have been sealed and fully inspected.

MR. HAMILTON said that is absolutely true; the project has been inspected 57 times by DNR and the Alaska Department of Fish & Game.

CO-CHAIR JOSEPHSON asked whether Pebble needs to reserve water rights to Upper Talarik Creek, even though the current project does not include using that part of the basin for tailings or development.

MR. HAMILTON acknowledged there is the possibility as the mine is dug, some water flowing into Upper Talarik Creek may be diverted into the mine; therefore, the project must "claim impact," although no facilities would be built at that location. However, there would be the impact of the road across Upper Talarik Creek, and he stressed the importance of impact to this area because 82 percent of the sockeye are in the creek. In addition, the area is very important for subsistence and

recreational fishing, thus permits are required. However, he said the water would have to flow uphill to reach Upper Talarik Creek.

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CO-CHAIR JOSEPHSON recalled the new project plan proposes the operational phase of the mine would be 20 years; he asked whether Pebble would be willing to covenant and contract to a system "that would hold Pebble to this 20-year mine plan."

MR. HAMILTON restated the only mine plan submitted to permit is to dig for sixteen years, and then to use low grade ore for the last four years; any other plans would require new permitting. He said "... I really can't speak for the leadership of Northern Dynasty, but I would suspect that they would not choose to do that."

CO-CHAIR JOSEPHSON, for clarification, restated Northern Dynasty would not choose to reach an agreement with the state to "fix the footprint" in a development phase.

MR. HAMILTON said, "No, they would fix the footprint ..." In further response to Co-Chair Josephson, he opined Northern Dynasty would not ask for an extension of the new operational plan - or expand the footprint of the mine - for several reasons: the mine is designed for 20 years; the [Pebble] mine may operate extremely well for years, but there may be other [mining operations] in Bristol Bay; the future is unknown. He said, "... I can't imagine it. We could ask that to the leadership of Northern Dynasty, but that's my opinion, I can't imagine why you'd do such a thing."

CO-CHAIR JOSEPHSON turned attention to the application fees Pebble has paid for miscellaneous land use permit (MLUP) applications that were submitted to the Office of Project Management and Permitting (OPMP), DNR.

MR. HAMILTON explained the standard procedure is that a project can "pay to, in essence, move up ... the chain" in order to supplement [for the cost of] the department's extra workload. He spoke in support of the state's procedure, although the project would "get nothing from it." Further, the NEPA process, and oversight by USACE, depoliticizes the process and selects a third-party engineering firm that is paid by Pebble. He concluded Pebble cannot - and does not expect to - gain any value from the policy.

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REPRESENTATIVE TALERICO returned attention to the design of the tailings dam.

MR. HAMILTON said the design is a 3:1 slope, which is a Class I (high) dam; although there are no faults beneath the mine footprint, the dam is designed as if there were. He advised the project anticipates the Alaska Dam Safety Program will require Class I dam engineering standards for all tailings facilities in the future.

REPRESENTATIVE TALERICO advised a 3:1 slope is the angle of repose required for pulverized sandstone and thus is a substantial stability factor.

MR. HAMILTON restated the dam design is a lesson from Mount Polley, and reviewed its features.

CO-CHAIR JOSEPHSON expressed his understanding there are many other risks feared by the residents of Southwest Alaska, such as dewatering.

MR. HAMILTON said correct. However, his presentation is focused on the risk of a dam failure because a dam failure that destroys the fishery of Bristol Bay frightens the most people.

REPRESENTATIVE LINCOLN posed a scenario following an extension of the 20-year mine life plan, and asked for amounts of the known or estimated mining reserves located in the areas adjacent to the existing site, at the initial production rate.

MR. HAMILTON said there are enormous reserves in the region. Initially, the proponents of the mine focused on mining \$400 billion of ore; in fact, the ore body is the largest undeveloped copper and gold find in the world. However, about four years ago, a mining consultant suggested designing a smaller mine with the fewest environmentally damaging aspects of any mine ever built; for example, no use of cyanide to mine the last 15 percent of gold.

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REPRESENTATIVE LINCOLN related others' concern about a smaller, responsible mine that expands production once in place. He

asked what opportunities are available to the local population and the borough to address future expansion.

MR. HAMILTON said the NEPA process includes extensive periods of public comment; in addition, expansion would require a new permitting process with the additional burden of the cumulative effects of the first mine. He restated the future is unknown.

REPRESENTATIVE LINCOLN asked what opportunities there would be for local residents or boroughs located closest to the mine to comment on a proposed expansion.

[2:08:25 PM](#)

MR. HAMILTON stated at the time [of a proposed expansion], the mine's record will have determined its future.

CO-CHAIR JOSEPHSON observed the issuance of a permit is not a democratic process and therefore, strong local and statewide opposition would not necessarily preclude the mine from moving to a different phase of development.

MR. HAMILTON agreed; however, true environmental concerns brought forward through the EIS process must be successfully addressed.

REPRESENTATIVE DRUMMOND returned attention to a slide entitled, "Tailings Storage Facility" and asked for a definition of PAG tails.

MR. HAMILTON explained PAG is an acronym for potentially acid generating rock; he restated about 12 percent of the tailings come from PAG ore, so to prevent PAG tailings from forming acid, they are covered with water.

REPRESENTATIVE DRUMMOND surmised 12 percent of the tailings will remain permanently covered with water after the project is closed.

MR. HAMILTON suggested PAG tailings may be processed by a heretofore unknown methodology; otherwise, when the mine is closed, PAG tailings will remain in the bottom of the pit, covered with water, in perpetuity.

REPRESENTATIVE DRUMMOND questioned whether the main embankment illustrated would be 600 feet above the original ground level.

[2:12:20 PM](#)

MR. HAMILTON explained the embankment would start at about 250 feet and would increase in height by about 25 feet every two years to contain tailings and water. In further response to Representative Drummond, he said the initial construction of the embankment would be 250 feet above the original ground.

REPRESENTATIVE DRUMMOND asked how the concentrate would be loaded onto the ferry.

MR. HAMILTON said the ferry that crosses Lake Iliamna would carry the trucks loaded with concentrate; the trucks would then drive 35 miles to the port for storage. In further response to Representative Drummond, he confirmed the project would need to dredge in Lower Cook Inlet for the loading operation.

REPRESENTATIVE PARISH asked for the location of the smelter.

MR. HAMILTON restated the smelter would be in the Far East.

REPRESENTATIVE PARISH asked how the project would accommodate intermittent permafrost and changes due to warming Arctic temperatures.

MR. HAMILTON said he would provide a specific answer from an engineer.

[2:17:16 PM](#)

REPRESENTATIVE PARISH asked whether Pebble would work with Donlin [Gold] on a [natural] gas pipeline to the Donlin prospect.

MR. HAMILTON said he would provide information in this regard.

REPRESENTATIVE PARISH inquired as to the status of support from local Tribes.

MR. HAMILTON advised Pebble is working closely with two Tribal governments in the Lake and Peninsula Borough; support is strong as residents are looking forward to jobs that would stop the outflow of residents from villages to cities.

CO-CHAIR JOSEPHSON recommended members refer to page 70 of [Attachment] D of the December 2017, USACE application, [4.1.4

Closure/Post-Closure Phase, 4.1.4.1 Water Management Plan], which read as follows [in part]:

The pit will continue to fill until the pit lake is formed. Surface runoff from the walls may result in metal leaching. Water quality is expected to be acidic with elevated metals due to overall oxidation of the open pit walls. The pit lake water quality will be monitored, and appropriate precautions will be taken to manage wildlife activity on the lake. ... The water level should never rise above 50 feet below the elevation in which ground water flows ...

CO-CHAIR JOSEPHSON said the foregoing causes concern, along with a reference to a possible need "to change altogether the water treatment plan as required."

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MR. HAMILTON explained the project seeks to fill the pit completely and store all the ore underwater; however, the water level must be 50 feet down, to prevent the water pressure in the pit from reversing the flow of ground water that has come in contact with the exposed rocks. He said the abovementioned permit application to USACE will be investigated and will reveal less environmentally damaging practical alternatives for consideration. and will become part of the EIS.

CO-CHAIR JOSEPHSON advised the Berkley Mine in Montana used a similar model and is a source of concern due to leaching.

MR. HAMILTON restated Pebble will be required to address this issue as part of the EIS permitting process.

REPRESENTATIVE JOHNSON asked whether the tailings [embankment] would be vegetated.

MR. HAMILTON said vegetation would grow on the slope, but not on the tailings; ultimately, the embankments would be covered with overburden which would support vegetation.

REPRESENTATIVE JOHNSON asked whether the containers on the ferry would be sealed, and who has oversight on the plan to cross Lake Iliamna.

MR. HAMILTON responded the containers are sealed; he was unsure about oversight, or how an accident on the ferry would be handled, but said that issue would be addressed in the EIS.

REPRESENTATIVE LINCOLN returned attention to the tailings facility and observed the east embankment is 60 feet in elevation; he surmised the east embankment is an extension of the natural rise in elevation.

MR. HAMILTON indicated yes.

REPRESENTATIVE LINCOLN asked whether it is legally possible to enact a local hire preference for a project on state land.

[2:27:10 PM](#)

MR. HAMILTON stated the issue is preparing workers so that local organizations have the capacity to fill jobs that become available. He favored employing locals by any organization in order to lower transportation costs. He said there is time to train workers for all of the needed skills, provided there is support for the project. In fact, Pebble and the Arctic Slope Regional Corporation (ASRC) have begun to investigate the existing and potential capacities of the village corporations within the Lake and Peninsula Borough that could compete for mine jobs.

REPRESENTATIVE LINCOLN cautioned local hire may not be cost effective because transportation costs are high between villages, and restated his question about local hire provisions for projects not on private land.

CO-CHAIR JOSEPHSON observed the mining plan requires access to land owned by regional Native corporations and the state; he questioned how Pebble would gain access to all of the land needed to move its product to the west side of Cook Inlet.

MR. HAMILTON acknowledged about 65 percent of the land belongs to the state and about 35 percent belongs to one of two regional corporations, and said negotiations are ongoing in this regard.

CO-CHAIR JOSEPHSON turned to the issue of financing \$5 billion to \$6 billion in construction costs, and asked whether Pebble intends for the state to invest in the mine.

MR. HAMILTON said no. The project has recently partnered with First Quantum Minerals, which is a company experienced in the

construction of copper mines and that has a policy of involving local residents in its work. Proposed are investments of \$150 million per year for three years, followed by a payment of \$1.3 billion, in order for First Quantum to own half of the project.

CO-CHAIR JOSEPHSON noted Pebble has asked the state to help build a powerline.

[2:34:00 PM](#)

MR. HAMILTON said, "quite likely." He suggested the source of the capital to build powerlines to transmit power to a village utility could come from the Power Cost Equalization (PCE) program because this would be a one-time expense that would eliminate the need for PCE.

REPRESENTATIVE CHENAULT cautioned the committee against restricting a project from future expansion because the state has greatly benefitted from expansion [by the oil and gas industry] at Prudhoe Bay.

[2:36:00 PM](#)

CO-CHAIR JOSEPHSON pointed out the difference in tax structure between the oil and gas industries and the mining industry.

REPRESENTATIVE PARISH requested a future response regarding Pebble's plan to address acid generating dust disposal during the winter months.

[2:36:18 PM](#)

MARIT CARLSON-VAN DORT, Director of Regional Affairs, Pebble Partnership, in response to Representative Parish, said the positions of local Tribes adjacent to the project site differ in response to the mine from opposition to neutrality; some of the Tribes and village corporations located nearer the project are neutral and support a full NEPA permitting process that evaluates the project on its merits. In response to Representative Lincoln, she confirmed there is no statutory requirement for local hire preference because the project is not located on Alaska Native Claims Settlement Act (ANCSA) land; however, Pebble intends to maximize local hire during negotiations with landowners related to right-of-way access. In response to Co-Chair Josephson, regarding access to land to complete the route of the project, she said Pebble has entered into negotiations with some of the landowners and surface rights

owners. Ms. Carlson Van-Dort noted one of her primary roles is to explore ways the Pebble Partnership can maximize the economic benefit of the project for those living in the region, and near the project site, through public discussion about contracting opportunities for village corporations and all local businesses.

[2:39:16 PM](#)

ABE WILLIAMS informed the committee he is a fourth-generation commercial fisherman born and raised in Bristol Bay. He has served fifteen years as president of a village corporation, six years on the Bristol Bay School District school board, and three years on the Bristol Bay Borough assembly. In 2010, Mr. Williams became affiliated with the Pebble project and he noted its value to the region and to the residents located closest to the site of the project. He acknowledged there are many concerns from fisherman who participate in the Bristol Bay fishery; however, he confirmed there is local interest in the project by the communities of Southwest Alaska. Rural communities are losing population and some local schools are closing due to the serious economic issues affecting the state and specific areas of the state. For any project located in a region such as Southwest Alaska, it is important that the state and the federal government review the project for its impact on local residents. He said there is support for the project from those whose voices have not been heard, and expressed hope their testimony would be brought forward during the NEPA permitting process.

CO-CHAIR JOSEPHSON asked whether the Bristol Bay Native Corporation (BBNC) will allow access to the subsurface lands.

MR. WILLIAMS said he could not speak on behalf of the management of BBNC, although he is a shareholder. He noted [profit-sharing provisions of ANCSA], and said, "... Bristol Bay Native Corporation is an owner of subsurface right and I, I think that could quite possibly create some angst if they weren't, in fact, utilizing those resources for sale or for the benefit of not only their own shareholders, but at the same time, other regional corporations and village corporations within the State of Alaska.

HB 217-RAW MILK SALES; FOOD EXEMPT FROM REGS

[2:43:35 PM](#)

CO-CHAIR JOSEPHSON announced that the final order of business would be HOUSE BILL NO. 217, "An Act relating to the Alaska Food, Drug, and Cosmetic Act; relating to the sale of milk, milk products, raw milk, and raw milk products; and providing for an effective date."

CO-CHAIR JOSEPHSON handed the gavel to Co-Chair Tarr.

CO-CHAIR TARR informed the committee an amendment provided in the committee packet [related to labeling Alaska food products (raw milk), and discussed at the hearing of 2/14/18] would not be moved for adoption.

[2:45:22 PM](#)

CO-CHAIR TARR moved to adopt Amendment 2, labeled 30-LS0593\J.3, Wayne, 2/15/18.

CO-CHAIR JOSEPHSON objected for discussion purposes.

CO-CHAIR TARR said due to the growing interest in farm tours and visits, there is a need to protect farmers who seek to host tours on their farms. Currently, AS 09.65.290(e)(3), limits liability related to sports or recreational activities, and the bill seeks to add farm touring to the list of activities in this statute. Further, Amendment 2 adds the definition of farm touring on page 2, lines 1-3, which read:

(4) "farm touring" means briefly visiting a farm to observe or experience aspects of raising, growing, producing, cultivating, harvesting, or processing an agricultural product as a tourist, without receiving pay.

CO-CHAIR TARR explained the amendment would also allow a tourist to pick fruit or flowers on a farm.

REPRESENTATIVE DRUMMOND asked whether dinners served on a farm would be considered farm touring as defined by the amendment.

CO-CHAIR TARR said yes.

[2:47:50 PM](#)

WAYNE FLOYD, Co-owner, Cool Cache Farms, said his farm in Nikiski specializes in peonies and food products. He expressed his support for the amendment because the agricultural industry

is now expanding into [farm touring] which is a new industry; agriculture in Alaska is becoming known and is attracting visitors. Farms carry liability insurance, but insurers raise rates on policies for tourism activities such as selling U-pick products. Thus, the amendment would help farmers keep their expenses down, so they can compete with products from the Lower 48. Mr. Floyd pointed out because the tourism industry already has protection, adding farm tourism is logical and would help small farms grow.

REPRESENTATIVE PARISH asked how often injuries are associated with U-pick activities.

MR. FLOYD explained farms with beehives may have bees on flowers that can lead to stung noses, but farmers want to have insurance against reasonable and valid claims.

[2:52:08 PM](#)

CHRIS FLICKINGER, Spokesperson, Kodiak Chapter, Alaska Farm Bureau, Inc., said people stop by at his ranch and want to help brand the animals, which could lead to injuries.

[2:52:51 PM](#)

CO-CHAIR JOSEPHSON withdrew his objection. There being no other objection, Amendment 2 was adopted.

CO-CHAIR TARR reviewed HB 217, as amended, which includes provisions to allow the Department of Natural Resources to market the Alaska Grown trademark; provides product procurement preference permissive from 7 percent to 15 percent; creates consistent statewide policy for the cottage food industry with informed consumer consent; included a provision for farm touring.

[2:54:16 PM](#)

CO-CHAIR JOSEPHSON moved to report the committee substitute for HB 217, labeled 30-LS0593\J, Wayne, 2/6/18, as amended, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE TALERICO objected for discussion purposes. He stated his interest in an amendment previously discussed [but not moved for adoption related to labeling food products (raw

milk)] which addresses an issue critical to local producers. He urged for continued work on this issue.

CO-CHAIR TARR suggested a subcommittee representing all areas of the state could continue hearing testimony from farmers on the [labeling of food products and] raw milk issue.

REPRESENTATIVE PARISH directed attention to the bill on page 2, lines 26-28, which read [in part]:

"THIS PRODUCT WAS MADE IN A PRIVATE FACILITY THAT IS NOT SUBJECT TO STATE OR MUNICIPAL REGULATION";

REPRESENTATIVE PARISH stated his preference for the language in the original version of the bill, which read:

This product was made in a private kitchen that is not inspected by a state or local agency.

CO-CHAIR TARR said the change in language was suggested by Legislative Legal Services, Legislative Affairs Agency.

[2:57:35 PM](#)

REPRESENTATIVE TALERICO removed his objection. There being no further objection, CSHB 217(RES) was reported out of the House Resources Standing Committee.

[2:58:49 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:58 p.m.