

**ALASKA STATE LEGISLATURE**  
**SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

February 27, 2018

3:31 p.m.

**MEMBERS PRESENT**

Senator Click Bishop, Chair  
Senator Anna MacKinnon  
Senator Lyman Hoffman  
Senator Bert Stedman  
Senator Berta Gardner

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 203

"An Act authorizing the Alaska Industrial Development and Export Authority to issue bonds to finance the infrastructure and construction costs of the Graphite Creek graphite project."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 203

SHORT TITLE: AIDEA: BONDS FOR GRAPHITE CREEK PROJECT

SPONSOR(S): SENATOR(S) OLSON

02/19/18	(S)	READ THE FIRST TIME - REFERRALS
02/19/18	(S)	CRA, FIN
02/27/18	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

SENATOR OLSON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of SB 203.

JIM PUCKETT, staff to Senator Olson

Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Explained SB 203, version 30-LS1473\A.

ROSE FOSDICK  
Natural Resources Division  
Kawerak, Inc.  
Nome, Alaska

**POSITION STATEMENT:** Didn't state a position on SB 203 but said they are curious about the graphite process and the chemicals used in it and think it could be harmful to subsistence.

BRANDON AHMASUK, Director  
Subsistence Resources Program  
Kawerak, Inc. Nome, Alaska

**POSITION STATEMENT:** Opposed SB 203.

SUE STEINACHER, representing herself  
Nome, Alaska

**POSITION STATEMENT:** Did not state a position on SB 203 but asked what degree of support this project has from all the residents of Brevig and Teller.

BLAKE BOGART, representing himself  
Nome, Alaska

**POSITION STATEMENT:** Supported SB 203.

DOUG TWEET, representing himself  
Nome, Alaska

**POSITION STATEMENT:** Supported SB 203.

RICHARD BENEVILLE, Mayor  
Nome, Alaska

**POSITION STATEMENT:** Supported SB 203.

JOHN TOPKOK  
Igloo Native Corporation  
Teller, Alaska

**POSITION STATEMENT:** Did not state a position on SB 203 but agreed with comments about the need for subsistence resources and housing in Teller.

RITA OLAN  
Brevig Mission Native Corporation  
Brevig Mission, Alaska

**POSITION STATEMENT:** Hesitant to support SB 203, because the mining site is also their camping grounds for hunting moose and berry picking.

BLANCHE OKBACK-GARNIE, Mayor  
Teller, Alaska

**POSITION STATEMENT:** Opposed SB 203 although she is not for or against the mine.

FRIEDA SOUTHALL  
Native Village of Brevig Mission, Brevig Mission, Alaska

**POSITION STATEMENT:** Opposed SB 203.

HAL SHEPHERD, representing himself  
Nome, Alaska

**POSITION STATEMENT:** Opposed SB 203.

HIEDI KELLER, representing herself  
Nome, Alaska

**POSITION STATEMENT:** Opposed SB 203.

RACHEL MENADELOK, representing herself  
Anchorage, Alaska

**POSITION STATEMENT:** Opposed SB 203.

JOHN SPRINGSTEEN, CEO  
Alaska Industrial Development and Export Authority (AIDEA)  
Anchorage, Alaska

**POSITION STATEMENT:** Could support SB 203 with the addition of a June 30, 2025, sunset.

DOUG SMITH, Executive Chairman  
Graphite One Resources, Inc.  
Vancouver, British Columbia  
**POSITION STATEMENT:** Supported SB 203.

#### **ACTION NARRATIVE**

[3:31:39 PM](#)

**CHAIR CLICK BISHOP** called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:31 p.m. Present at the call to order were Senators Stedman, MacKinnon, Hoffman, Gardner, and Chair Bishop.

#### **SB 203-AIDEA: BONDS FOR GRAPHITE CREEK PROJECT**

[3:32:43 PM](#)

CHAIR BISHOP announced consideration of SB 203 authorizing Alaska Industrial Development and Export Authority (AIDEA) to issue bonds to finance infrastructure and construction costs for the Graphite Creek project.

[3:33:12 PM](#)

SENATOR OLSON, Alaska State Legislature, sponsor of SB 203, said he was asked to introduce this bill to make sure that a corporation like Graphite One could accept AIDEA funds to start the initial stage of assessing the possibility of pulling this graphite deposit out of the ground.

He explained that graphite is a rare mineral that the U.S. imports 100 percent from places like China. That is why this area is worth investing in.

[3:36:00 PM](#)

SENATOR GARDNER said she was struck by the overview that says this company is proposing a vertically integrated enterprise: to mine the graphite, process it into concentrate, and then manufacture high-grade spherical graphite for vehicle batteries and storage. She asked if any of that value-added processing would be done in Alaska.

SENATOR OLSON replied that the Native corporation and a number of other people in that area are excited about the jobs it would create, not just for the mining but for the processing.

SENATOR GARDNER asked if this mine would be able to replace 100 percent of the graphite imports.

SENATOR OLSON replied that he didn't know, and he didn't think anyone else did either. The military uses a lot of high-grade graphite, but how much and what it used for they hold confidential.

[3:38:40 PM](#)

At ease

[3:39:09 PM](#)

CHAIR BISHOP called the meeting back to order.

[3:39:13 PM](#)

At ease

[3:40:02 PM](#)

CHAIR BISHOP called the meeting back to order.

JIM PUCKETT, staff to Senator Olson, Alaska State Legislature, Juneau, Alaska, said SB 203, version 30-LS1473\A, authorizes AIDEA to issue the bonds under AS 44.88.172. The principle amount that they can issue is limited to \$80 million, including the cost of issuing them. It requires legislative approval according to AS 44.88.095(g).

He emphasized that this is not an approval for the project but simply giving AIDEA the option to invest in the Graphite Creek Project, that is estimated to cost more than \$350 million.

Why is graphite so important and why now? Mr. Puckett answered that United State Geologic Survey (USGS) had identified this mineral as critical to the national economy and national security. It is most important as an anode material in lithium batteries, a market that is expanding rapidly. Currently, the U.S. is totally reliant on foreign sources for graphite; China being the biggest, but it comes from Brazil, Madagascar, and a couple other sources, as well.

MR. PUCKETT explained that the very large flake graphite deposits in the Kigluaik Mountains on the Seward Peninsula are the largest known graphite resource in the United States. The proposed processing plant at the Graphite Creek facility would produce 60,000 metric tons of graphite concentrate annually. In 2016, the U.S. needed 39,500 metric tons of natural graphite.

He said that Tesla has built a new lithium battery giga factory in Nevada and once it is at full production (expected to happen in 2019) it will need 93,000 tons of graphite annually. That factory is already producing more batteries than any other factory in the world and it is not at full production, yet. A 2017 study showed this project has the potential to produce a significant portion of the projected domestic demand for graphite for 40 years.

CHAIR BISHOP remarked that he heard that Toyota Motor Company wants to be hybrid or all electric by 2025 and some other car companies are doing that same. He opened public testimony.

ROSE FOSDICK, Natural Resources Division, Kawerak, Inc., Nome, Alaska, didn't state a position on SB 203, but said they are curious about the graphite process and the chemicals used in it and think it could be harmful to subsistence. They would like to

know the meeting schedule so people can comment and share their needs for subsistence resources.

3:50:00 PM

BRANDON AHMASUK, Director, Subsistence Resources Program, Kawerak, Inc. Nome, Alaska, said these communities are heavily reliant on subsistence resources - salmon, moose, caribou, berries - and will be the first ones to know if these mines will negatively affect the area. If the resources around these communities are impacted who will put food on the table? These communities have 80-90 percent unemployment. He said the Imuruk Basin has North America's farthest north red salmon run. It holds three kinds of seals, two of which are listed as threatened under the Endangered Species Act (ESA); they are there because of the salmon. If any of these resources were to fall, it will trickle down the food chain and ultimately to the communities down-river from the mine. He concluded saying that the subsistence people should be at the table in discussions of this mine.

CHAIR BISHOP asked if seals are still available for subsistence hunting.

MR. AHMASUK answered yes.

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SUE STEINACHER, representing herself, Nome, Alaska, did not state a position on SB 203, but asked what degree of support this project has from all the residents of Brevig and Teller. Someone from Teller wrote on Facebook that Senator Olson has heard only good things, but he has not heard from them. Remember, when there is resistance this has caused them to build a better project than first proposed.

Her next concern was when the state invests money for development of a corporate project, it casts reasonable doubt on the state's neutrality as a regulatory enforcer. If a company doesn't spend its own money it overestimates their capabilities. The Rock Creek Mine is an example of where the state invested \$7-8 million dollars building a road to the mine site - and she didn't know who paid for the three miles of power lines - but the company oversold its abilities and the mine failed. There is now a three-mile road to nowhere along with power poles.

She mused that the state is being asked to post \$80 million for this project while Nome and the surrounding communities are suffering from a severe lack of housing and a high cost of

living. Teller doesn't even have sewer and water to their homes. A project like this will only add more pressure on the limited housing and will cause already-high prices to rise higher. There are already over 50 Nome families on the AHFC waitlist for 33 units and long waitlists at the regional housing authority. HUD recently estimated a need for over 1,000 housing units in the Bering Strait region including Teller and Brevig, and yet their budget is so small that they can only afford to build six a year.

In Nome, people in the service industry make only \$12-17 an hour and yet have to live in two-bedroom apartment for \$1600-1800/month plus utilities. Families are doubled and tripled up just to get by. This is true in Teller, as well. If the state wants to invest in infrastructure and development in rural Alaska for a large corporation it has to first invest in affordable housing and infrastructure for the people who already live there.

MS. STEINACHER proposed if this bill goes forward that 25 percent of the bond amount be dedicated to addressing the existing needs for communities most impacted by this mine. She added that while this project will bring jobs, the highest paying ones go to the people who move into the region and too often the cost of development puts the greatest pressure on the lowest earners.

[3:55:12 PM](#)

BLAKE BOGART, representing himself, Nome, Alaska, supported SB 203. It's a great opportunity for this region and the state directly and indirectly with its jobs and economic growth. It could lead to America's first domestic supply of graphite that goes through a rigorous permitting process. He said making batteries is an up and coming industry.

DOUG TWEET, representing himself, Nome, Alaska, supported SB 203. He is the third generation of the Tweet family and the owner in the claims that Graphite One is leasing. These claims were staked in 1900 by his grandfather. So, the mine will be locally owned. The family knows and loves the country and wouldn't allow any degradation of the environment.

He explained that these are federal mining claims and the state wouldn't get any benefit from them, but they are being converted to state claims, which means the state would get substantial royalties. He said this a "world class" mine and that the graphite is very large flake and rare. The mine would be a huge

benefit to the local economy paying high wages and providing a tax base. As claim owners, the family has worked with Graphite One for seven years and found it a good company to work with. They are committed to local hire as much as possible and want to keep local communities involved in the mine plan and development.

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RICHARD BENEVILLE, Mayor, Nome, Alaska, supported SB 203. He thanked Senator Olson for bringing it to the attention of the legislature. He said western Alaska has some of the highest energy costs in the country and they are in the process of trying to develop its resources to where it can be a lot more self-sustaining. He said that graphite also helps the nation and it gets used in the development of storing energy in batteries.

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JOHN TOPKOK, Igloo Native Corporation, Teller, Alaska, didn't state a position on SB 203, but agreed with comments about the need for subsistence resources and housing in Teller. He said besides red salmon, they rely on tom cod, herring, and smelt, that all inhabit the Imuruk Basin, which needs to be protected. They also catch moose around the Graphite area.

[4:05:00 PM](#)

RITA OLAN, Brevig Mission Native Corporation, Brevig Mission, Alaska, said they are hesitant to support SB 203, because the mining site is also their camping grounds for hunting moose and berry picking. The streams from the Kigluaik Mountains are used for drinking and fishing. She didn't know how the area will be kept clean if it is contaminated with "mining stuff." People in the area live a life of subsistence and can't live off graphite.

"If there is a spill, will the state keep their freezers full," she asked. They have been told the limestone will neutralize the chemicals, but don't know how long that will take. If one of these resources collapses, the rest will follow.

[4:08:38 PM](#)

MS. OLAN said her people have been taught by their fathers and forefathers how to live off their land and were taught to share what they catch, but what will happen when they have nothing to share because of the contaminants, noise, and interruptions the mine will bring? She said Graphite One has said they will start a subsistence board (to which she has been elected to represent her council) to keep a close watch on the activities but so far this board has only been imaginary.

According to the Environmental Protection Agency's (EPA) toxic release inventory, Kotzebue is the most toxic community in America, because of the Red Dog Mine. In her mind, the graphite mine will bring destruction to their land and culture and to their food and people. She asked the committee when making decisions that will directly impact communities to allow them the opportunity to voice their concerns and let them decide their future.

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BLANCHE OKBACK-GARNIE, Mayor, Teller, Alaska, opposed SB 203 although she is not for or against the mine. She didn't want to see a road built up to their wilderness campsite. The road in Teller has brought dust and trash that ruins their subsistence; it invites anybody from out of state or other parts of the state to hunt and do subsistence in the same area they depend on. They don't have jobs; they have to subsist to survive. She suggested spending \$80 million on toilets, water and sewer for their community.

[4:11:51 PM](#)

FRIEDA SOUTHALL, Native Village of Brevig Mission, Brevig Mission, Alaska, opposed SB 203, because it will negatively affect their subsistence lifestyle. Because there are no jobs in the area most people live a subsistence lifestyle picking berries and greens, gathering fish and hunting moose in the same place the mine would be located. Once that is destroyed, they will not be able to go back to subsistence.

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HAL SHEPHERD, representing himself, Nome, Alaska, opposed SB 203. He worked for the past four years as a consultant to Brevig Mission, Teller, and Mary's Igloo Tribal Council and has followed the graphite mine proposal during that time. He supported comments from those having concerns about subsistence and said there is pretty much unanimous opposition to this mine.

MR. SHEPHERD said one of his main concerns is how the mine will use water. He explained that the DNR routinely issues temporary water use authorizations to this mining company every year. They just recently issued another one for another five years, which will allow the mine to take water out of six creeks that drain the Kigluaik Mountains that contain salmon habitat. However, Graphite One claims there are no salmon using these creeks. DNR is currently allowing the mine to remove over 65 gallons/day from June to October. These creeks are quite small and there is

no doubt that removal of that amount of water will affect them. Also, as everywhere else in the Arctic, which is warming faster than anywhere on earth, temperatures are going to start rising in those creeks and will start affecting fish habitat.

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HIEDI KELLER, representing herself, Nome, Alaska, opposed SB 203. It will affect their subsistence way of life. Imuruk Basin is where the villages have fished and hunted for thousands of years. Imuruk Basin is connected to the Kuzitrin River and the Pilgrim River where Nome locals fish for their year-long supply; for her that includes her household, her parents' household, and her grandparents' household. Community members in Teller and Brevig can't just drive to the store for food like people in Nome. Their lives depend on their subsistence way of life.

How will Graphite One stimulate the economy in Teller where last winter it ran out of fuel. Will they help with infrastructure upgrades?

Recently, Ms. Keller said, the National Geographic had an article regarding the harmful effects of the Red Dog Mine on Kotzebue and Kivalina, and asked if health risks will be ignored because Teller and Brevig have such small populations? She also quoted a Nome Nugget article detailing how the mine would negatively impact the area.

MS. KELLER said the residents were forced to settle in these villages or their children would be taken away and sent to schools. And the mine would have water and sewer facilities before the villages did.

Graphite One is a Canadian company that will hire out-of-town employees and a few token local employees. There is no income tax in that area and all the employees' money would go to wherever they are from. DNR has said they cannot regulate it closely and the company will be receiving tax breaks. This has been seen time and again. The mine down Glacier Creek Road didn't turn out well and now the land is all torn up and will never be the same.

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RACHEL MENADELOK, representing herself, Anchorage, Alaska, opposed SB 203. She grew up in Teller and Brevig and said this mine is not a good idea. These are subsistence villages where people can't go to a grocery store; subsistence is all they have for food. There are more important things in the world than

trying to get a few dollars off of the small amount of land that is left for subsistence, she said.

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JOHN SPRINGSTEEN, CEO, Alaska Industrial Development and Export Authority (AIDEA), Anchorage, Alaska, said he could support SB 203 with the addition of a June 30, 2025, sunset.

DOUG SMITH, Graphite One Resources, Vancouver, British Columbia, supported SB 203. The project is in its early stages and must go through environmental studies and mining plans and meet with the communities as it progresses. He assured them that the communities will have ample opportunity to follow the planning process and contribute their input into the decision-making on this project.

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CHAIR BISHOP, finding no further questions or comments, closed public testimony.

SENATOR GARDNER said she wanted to know who owns Graphite One and the land on which the mine is proposed to be located. She also said she had researched the Graphite One Company and found that the income statement for the period of 2012-2016 is all zeros, the expenses are in an upward trajectory, the pre-tax income is all in bright red, and the balance sheet has a lot of zeros and some red. The cash flow statement is red, also. She remarked if she were making a decision about investing in this company she would have some serious concerns. For instance, she would question whether this company has the resources to follow through if there would be a spill. This is not even considering the concerns of the local people.

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CHAIR BISHOP said he had no intention of moving the bill today.

SENATOR OLSON commented that the issues that people brought up certainly gives one pause. Certainly, the balance sheet is very concerning. He reiterated that the property was federally patented in 1900 by Doug Treet's grandfather, and Graphite One would be leasing from them.

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CHAIR BISHOP, finding no further comments, held SB 203 in committee.

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SENATOR OLSON closed by saying that he wants to make sure the project consults with the communities, and if they don't support the project, he recommends not going forward with it.

4:30:16 PM

CHAIR BISHOP adjourned the Senate Community and Regional Affairs Committee meeting at 4:30 p.m.