

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

March 25, 2019

3:30 p.m.

MEMBERS PRESENT

Senator Chris Birch, Chair
Senator John Coghill, Vice Chair
Senator Cathy Giessel
Senator Lora Reinbold
Senator Scott Kawasaki
Senator Jesse Kiehl

MEMBERS ABSENT

Senator Click Bishop

COMMITTEE CALENDAR

Alaska Oil and Gas Conservation Commission
Jessie Chmielowski - Anchorage

- CONFIRMATION ADVANCED

PRESENTATION: "The Pebble Partnership: Project Update, Draft EIS and Next Steps"

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JESSIE CHMIELOWSKI, Appointee
Alaska Oil and Gas Conservation Commission
Anchorage, Alaska

POSITION STATEMENT: Addressed questions regarding her appointment to AOGCC.

TOM COLLIER, CEO
Pebble Limited Partnership
Anchorage, Alaska

POSITION STATEMENT: Participated in the overview of the Pebble Project.

JOHN SHIVELY, Chairman of the Board of Directors
Pebble Project
Anchorage, Alaska

POSITION STATEMENT: Participated in the overview of the Pebble Project.

JAMES FUEG, Vice President of Permitting
Pebble Limited Partnership
Anchorage, Alaska

POSITION STATEMENT: Participated in the overview of the Pebble Project.

ACTION NARRATIVE

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CHAIR CHRIS BIRCH called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Coghill, Giessel, Reinbold, Kawasaki, Kiehl, and Chair Birch.

CONFIRMATION HEARING:

Alaska Oil and Gas Conservation Commission

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CHAIR BIRCH announced the consideration of an appointment to the Alaska Oil and Gas Conservation Commission (AOGCC). AOGCC is a three-member commission that oversees oil and gas drilling, development and production, reservoir depletion and metering operations. AOGCC acts on behalf of the state to prevent waste, protect correlative rights, improve ultimate recovery, and protect underground fresh water.

He said Ms. Chmielowski was appointed to the petroleum engineer's seat on March 7, 2019. Her term with AOGCC will expire in 2025.

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JESSIE CHMIELOWSKI, Appointee, Alaska Oil and Gas Conservation Commission, Anchorage, Alaska, said she wants to be the Petroleum Engineering Commissioner for AOGCC because the position is a very important role that she thinks she can do very well. She said using her skills and experience to protect

the public interest in Alaska's oil and gas resources is something that she will be honored and proud to do. She disclosed that Alaska has been her home for nearly two decades and the state is where she plans to stay. She said she has enjoyed working on projects cooperatively with AOGCC and said she will be happy to join the commission's smart and capable team.

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MS. CHMIELOWSKI provided her personal background information as follows:

- Grew up in the San Francisco area.
- Attended Rice University:
 - Received a Bachelor of Science Degree in Chemical Engineering.
 - Received a Bachelor of Arts Degree in Environmental Sciences.
- Moved to Alaska in 2000.
- Her husband and children were born in Alaska.

She provided her professional background information and qualifications for her AOGCC appointment as follows:

- Registered as a professional petroleum engineer in the State of Alaska.
- Nineteen years of experience, all in Alaska.
- Spent three years as an engineer on the North Slope and understands oil field operations from "sand face to sales meter."
- Engineering knowledge includes seismic in geology, drilling incompletions, well work artificial lift, operations and facilities, metering, and oil integrity issues.
- Deep and broad understanding of oil and gas developments in Alaska having worked as an engineer on a variety of reservoirs and fluid types: light oil, viscous oil, and heavy oil.

- Direct government regulatory experience from her position as the Senior Petroleum Engineer for the Bureau of Land Management (BLM) in Alaska.
 - Covered the regulatory oversight functions of both the AOGCC and the Division of Oil and Gas.
 - Worked on projects cooperatively with the State of Alaska.
 - Reviewed drilling permits and fiscal meter applications like the AOGCC.
 - Worked on unit agreements and development obligations.
 - Main point of contact at BLM for decision pertaining to ConocoPhillips' new developments in the National Petroleum Reserve-Alaska (NPR).

MS. CHMIELOWSKI summarized that she has a holistic view of the entire oil and gas process and her experience will be a benefit to the State of Alaska.

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SENATOR REINBOLD asked Ms. Chmielowski to detail her engineering degrees.

MS. CHMIELOWSKI specified that she has degrees in chemical engineering and environmental sciences, and she is a registered professional petroleum engineer.

SENATOR REINBOLD commented that she is impressed with Ms. Chmielowski's background.

SENATOR KAWASAKI noted that something was redacted in Ms. Chmielowski's resume regarding her education.

MS. CHMIELOWSKI replied that there is nothing in her resume regarding education that she thinks is confidential and she does not know why there is a redaction.

CHAIR BIRCH remarked that the year noted on Ms. Chmielowski's resume may have been redacted.

MS. CHMIELOWSKI concurred with Chair Birch.

SENATOR KAWASAKI asked if during her time at BLM-Alaska she confidentially held proprietary information regarding oil and gas leasing in NPR.

MS. CHMIELOWSKI answered yes. She said the information is like the confidential information AOGCC currently holds.

SENATOR KAWASAKI asked if there will be a conflict of interest based on her BLM experience.

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MS. CHMIELOWSKI answered that there is no conflict of interest. The confidential information is available to both BLM and AOGCC.

SENATOR GIESSEL noted that she was the lead on the legacy wells issue, also known as the Travesty Wells. She asked if someone has taken over her position at BLM.

MS. CHMIELOWSKI explained that she spent two winter seasons on the legacy wells and then went on to NPRA oversight. She said BLM did not replace and noted her concern that BLM is running out of funds to continue plugging wells.

SENATOR GIESSEL noted that she has been on the job at AOGCC for several weeks and asked her impression of how the commission is functioning, its staffing levels, and if she believes there is enough funding to do her job well.

MS. CHMIELOWSKI answered that through her work at BLM and working on projects with AOGCC, she is impressed with the commission's high level of expertise. She said her understanding is that AOGCC is staffed appropriately. AOGCC has nine inspectors and that is one of the critical pieces for having "eyes on the ground" to keep an eye on the operations.

SENATOR GIESSEL asked if she has the resources she needs at the commission.

MS. CHMIELOWSKI answered yes.

SENATOR GIESSEL noted that Ms. Chmielowski's husband is employed by Oil Search (Alaska) LLC. She asked how her husband's employment will be addressed should an issue come forward from Oil Search.

MS. CHMIELOWSKI answered that AOGCC is an independent, quasi-judicial commission that must be unbiased. She said she is fully open and transparent with all her personal relationships and will fully recuse herself if appropriate. She noted that she sold her BP stock and does not have any interest in any other company.

SENATOR GIESSEL asked what her husband's role is at Oil Search.

MS. CHMIELOWSKI answered that her husband is Vice President of Exploration at Oil Search.

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SENATOR KIEHL asked if she has a background for the quasi-judicial hearing part at AOGCC.

MS. CHMIELOWSKI opined that AOGCC is unique regarding their independent, quasi-judicial, and unbiased role. She explained that through her role at BLM she did enter the sphere of viewing operations and decisions from a government point of view. She said keeping her actions clear, open, and transparent along with consulting fellow AOGCC commissioners will be of value to her.

SENATOR KIEHL said she made a good point that while AOGCC is quasi-judicial, the commission does not tend to have a lot of hearings. He asked if she is receiving or seeking any training or help in learning the quasi-judicial functions at AOGCC.

MS. CHMIELOWSKI answered yes. She said she wants to do the best that she can by seeking mentorship or advice where appropriate on the correct way to handle meetings or hearings at AOGCC.

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CHAIR BIRCH opened and closed public testimony.

SENATOR GIESSEL reviewed the qualifications fact sheet for an appointee serving at AOGCC and noted that adjudication experience is not a requirement for the regulatory position that deals with fact and science behind the extraction of the state's resources to maximize extraction for the maximum benefit for Alaskans. She detailed the qualifications for the engineer seat as follows:

Qualified petroleum engineer who has earned a degree from a university in the field of engineering and has at least 10 years of professional subsurface experience in the oil and gas industry in drilling, well operations, production process operations, reservoir engineering, or a combination there of.

She said Ms. Chmielowski's resume certainly and robustly represents the previously noted qualifications for AOGCC's highly technical position.

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CHAIR BIRCH stated that in accordance with AS 39.05.080, the Senate Resources Committee reviewed the following and recommends the appointment be forwarded to a joint session for consideration:

Alaska Oil and Gas Conservation Commission
Jessie Chmielowski - Anchorage.

CHAIR BIRCH reminded members that this does not reflect an intent by any of the members to vote for or against the confirmation of the individual during any further sessions.

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At ease.

PRESENTATION: The Pebble Partnership: Project Update, Draft EIS and Next Steps

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CHAIR BIRCH called the committee back to order. He said the Pebble Limited Partnership (PLP) will provide an update on the Pebble Project. He said the Senate Resources Committee requested an update on the project considering the recently released U.S. Army Corps of Engineers' (USACE) Draft Environmental Impact Statement (EIS) that details the potential impacts of developing a large copper and gold mine in the Bristol Bay region. The Draft EIS is open for public comment until May 30, 2019.

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TOM COLLIER, CEO, Pebble Limited Partnership, Anchorage, Alaska, explained that during his career he has dealt with environmental issues and permitting large controversial projects. He said he worked during the Clinton Administration as the Chief of Staff for Bruce Babbitt, Secretary of the U.S. Department of the Interior, and addressed some of the nation's biggest and most difficult environmental challenges at the time.

He said one of the reasons he was chosen for the job at PLP was his perspective that natural resource opportunities should only be done responsibly. Choosing between natural resources development and environmental protection is a false dilemma and the two can coexist. Determining coexistence is done by looking intensively and comprehensively at the available science and the way to do that is through an EIS. PLP has gotten the Pebble Project to the point where an independent assessment by USACE addresses the project's controversial issues.

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MR. COLLIER addressed "Copper is Essential for Green Technology" from his presentation and opined that modern life probably traces back to mining of some type, especially for copper. He said for technology in America, when people tell him they do not want copper mines built, he said he asks if they will hand him their cellphone. He emphasized that copper mining is not just about the use of copper in technology, but especially for its use in green technology where enormous amounts of copper is used for wind turbines, solar panels, and electric vehicles.

He said there is a "dirty little secret" where forecasts predict there will be a massive gap in worldwide copper availability starting in 2021 when copper resources start to fall off and demand increases. The Pebble Project will fit right into the copper availability gap as a necessary source to solve the supply dilemma.

He explained that needing to develop copper raises the question about where to develop copper. Copper can be developed in third world countries where there is no environmental protection and disasters occur, or copper can be developed in the U.S. where the country has the most rigorous environmental regime that will protect the environment while allowing PLP to develop copper at the same time. Alaska has the highest standards for resource development and PLP thinks the state is the place to do a copper mine.

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He addressed "Facts about Pebble" in his overview. He said the project will mine copper, gold, silver, molybdenum, and rhenium. He explained that rhenium is a critical mineral that is used for propeller blades in jet fighters' engines. He noted that the Pebble Project has a large source of rhenium.

He detailed that the Pebble Project's deposit is located on land that is owned by the state. He pointed out that the land is not accidentally owned by the state, the state went after the location for possible mineral development in exchange for valuable timber land.

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He addressed the Pebble Project's redesigned mining footprint. He noted that mine opponents show pictures of the project's site teaming with rivers, but the location is not teaming with rivers. He explained that when he and Mr. Shively came onboard, the project was at a crossroads and a decision was made to take

a step back and assess the opposition's concerns and redesign the project in a way that is directly responsive to those concerns.

MR. COLLIER opined that PLP's response to the concerns is dramatic. The mine has been reduced to a 20-year project with a smaller footprint. The project's smaller footprint is no longer within the Upper Talarik and Kvichak watershed. Cyanide will not be brought in to recover approximately 12 percent of the gold from the mine. The project is now designed to not have any waste rock piles. A significant amount of work was done on environmental safeguards, particularly with water treatment and the tailing's facilities. The mining project that PLP has taken into permitting is not the project that was being talked about over the last 12 years. He noted that the project's footprint is one-fifth the size of what was initially proposed.

He opined that the Pebble Project is a real asset for Alaska. The project is going to create thousands of jobs and hundreds of millions in tax revenue. PLP believes that the Pebble Project can be developed safely without damaging the Bristol Bay fishery via the EIS process. PLP has invested a lot of time, money, and effort in the EIS process and now an independent federal agency has agreed that the Pebble Project will not damage the Bristol Bay fishery.

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He explained that the National Environmental Policy Act (NEPA) process involves 60 separate permit categories with federal, state, and local authorities. The NEPA process is a substantial one that is rigorous, demanding, transparent, and accountable; however, the NEPA process is the right process.

He said one of the Pebble Project's major opponents is the Natural Resources Defense Council (NRDC). He disclosed that NRDC says NEPA is the "democratic process" to make environmental decisions. The NRDC also says the EIS, done under NEPA, is the "Magna Carte" of environmental protection and that is where the Pebble Project is today via the Draft EIS.

MR. COLLIER explained that the Draft EIS is produced by the USACE, but most importantly the Draft EIS is independent. He emphasized that no one could have worked on the project's EIS if they had previously worked on either side of the Pebble Project or had publicly expressed an opinion about the project. He detailed that independent scientists were brought to the EIS effort, but they did not work alone. Agencies involved in the

Draft EIS process includes the U.S. Fish and Wildlife Service, the U.S. Environmental Protection Agency (EPA), state agencies, the Lake and Peninsula Borough, and 35 separate tribal governments.

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SENATOR KIEHL asked him to explain the involvement of state agencies with the Pebble Project. He inquired if the Alaska Department of Environmental Conservation (DEC) and the Alaska Department of Fish and Game (ADF&G) have been fully involved or are now involved with the project.

MR. COLLIER replied that the departments have been involved in a little bit of both. He explained that there was involvement during the Draft EIS process, but more involvement will occur during the public comment period for both the Draft EIS and the Final EIS.

SENATOR KIEHL pointed to the government-to-government section in the overview where the Pebble Project has 35 Bristol Bay and Cook Inlet tribal governments involved. He asked if all the tribal governments are supportive or have taken positions on the project.

MR. COLLIER replied that there are tribes that are supportive and tribes that are not supportive. He conceded that most of the Bristol Bay and Cook Inlet tribal governments are not supportive. The EPA invited all the tribal governments to participate in the government-to-government negotiations with respect to the EIS. The 35 tribal governments noted in the Draft EIS overview are the ones that chose to participate.

He addressed the EIS schedule as follows:

- EIS application filed in December 2017.
- Draft EIS has just been issued and the public review process has started.
- The public comment period and public hearings will last through May 30.
- The projection for the draft of the Final EIS will be early 2020 with a Record of Decision (ROD) in mid-2020.

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MR. COLLIER said there have been a lot of conversation about the Pebble Project process being rushed, but the project is moving through the permit process in two-and-a-half to three years. PLP

has looked at other development projects in Alaska and how long they have taken is detailed as follows:

- Pogo Mine:
 - In August 2000, Teck-Pogo Inc. applied for a Section 404 permit for a proposed underground cut-and-fill gold mine on State of Alaska-owned land in the Goodpaster River Valley.
 - EPA, in close consultation with the USACE, published a Draft EIS in March 2003, then a Final EIS in Sept. 2003 - three years and a month after the application.

- Kensington Mine:
 - In 2001, Coeur Mining redefined the scope for its development of an underground gold mine within the Tongass National Forest outside of Juneau.
 - This necessitated a new NEPA review, which was completed three years later in December 2004.

- Red Dog Mine:
 - EPA prepared the EIS for the expansion of the Red Dog Mine into the Aqqaluk deposit in northwest Alaska.
 - The permitting process started in mid-2007 and the EIS was finished during Fall 2009, taking just over two years.
 - USACE was a cooperating agency.

- Point Thomson:
 - USACE was the lead agency for the EIS for the development of ExxonMobil's Point Thomson oil facility on the North Slope of Alaska.
 - The EIS process began in late 2009 and the Final EIS was issued mid-2012, taking approximately two and a half years.

- ConocoPhillips GMT-1 Project:
 - In 2013, ConocoPhillips moved forward with permitting of its proposed Greater Moose's Tooth-1 oil and gas project in the National Petroleum Reserve-Alaska.
 - The Bureau of Land Management (BLM) was the lead agency and USACE was a cooperating agency.
 - The EIS process began in August 2013 and concluded by November 2014, taking just over a year.

- ConocoPhillips GMT-2 Project:
 - ConocoPhillips began permitting the Greater Mooses-2 project in 2016.

- o Like GMT-1, the GMT-2 project is in the National Petroleum Reserve-Alaska.
 - o The EIS was overseen by BLM with USACE as a cooperating agency.
 - o The EIS process began during July 2016 and concluded just over two years later in September 2018.
- Hilcorp Liberty Project:
 - o Hilcorp is the operator of the Liberty oil and gas leases in the federal OCS off the North Slope of Alaska.
 - o The leases are overseen by the Bureau of Ocean Energy Management (BOEM).
 - o Hilcorp began permitting the Liberty Project in 2015.
 - o BOEM started the EIS process in September 2015 and completed it three years later in August 2018.

MR. COLLIER opined that the Point Thomson Project is most comparable to the Pebble Project. The project at Point Thomson was a new project going into a new area in the state. The project had a lot of issues associated with it, but the project was able to move through the entire permitting process in two and a half years. He said PLP believes that the Point Thomson Project is the analog to Pebble Project and acts as proof that PLP is on the right timeline.

He said one of the other issues that has been raised is whether the public comment period for the Pebble Project has been long enough. The statute requires 45 days, the Corps announced that the Pebble Project will have a 90-day public comment period. He disclosed that there has been some concern that the Pebble Project's 90-day public comment period is not long enough, a time period that is somehow shorter than what has usually been the case for projects in Alaska. He cited the public comment periods for the following projects:

- ANWR Coastal Plain Oil and Gas Leasing:
 - o Comment period: 45 days.
 - o Comment period extended: 30 days.
- Tongass Timber Sale on Prince of Wales (POW) Island:
 - o Comment period: 45 days.
- ConocoPhillips GMT 2:
 - o Comment period: 45 days.
 - o Comment period extended: 10 days.

- Oil Search Nanushuk Project:
 - Comment period: 45 days.
 - Comment period extended: 30 days.
- Hilcorp Liberty Project:
 - Comment period: 90 days.
 - Comment period extended: 22 days.
- Alaska Stand Alone Pipeline Project:
 - Comment period: 45 days.
 - Comment period extended: 15 days.
- Donlin Gold:
 - Comment period: 155 days.
 - Comment period extended: 31 days.
- Chukchi Sea OCS Oil and Gas Lease Sale 193:
 - Comment period: 45 days.
- Bristol Bay Watershed Assessment:
 - Comment period: 32 days.
 - Comment period extended: 6 days.
- ConocoPhillips GMT1:
 - Comment period: 60 days.
- Exxon Mobile Corporation - Point Thomson:
 - Comment period: 45 days.
 - Comment period extended: 15 days.
- Point Mackenzie Railroad Expansion:
 - Comment period: 56 days.
- Red Dog Agqaluk Expansion:
 - Comment period: 60 days.

MR. COLLIER opined that the Pebble Project is "right in the sweet spot" and maybe on the "high end" of what is usual for a public comment period.

He summarized that the Draft EIS addresses three issues that are most important: water quality and quantity are not diminished, cyanide is not coming into the region, and all water the project comes in contact with will be treated to Clean Water Act standards and released with a sophisticated computerized program to optimize conditions for salmon in the region.

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MR. COLLIER detailed the project's water treatment operation that involves a bulk tailings facility and a water containment pond for treatment prior to release, even during high precipitation years. The Draft EIS carefully looks at the project's water resource issue and concludes, "A sophisticated management plan will discharge water into all three nearby streams to benefit fish habitat." He added that the Draft EIS also states, "There will be no downstream impacts from the pit in post closure."

He said PLP looked hard at the project's tailings facilities to address concerns with respect to what has happened with tailings in other countries. The Pebble Project has combined the location's natural resources and features to engineer features that are designed according to very conservative criteria for maximum safety. The bulk tailings facility will allow water to flow through and get captured in a containment pond on the other side of the facility's dam. The reason for the water flow-through is to avoid failures like what occurred at Mount Polley in Canada due to the capture and containment of too much water.

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He explained that prior to the tailings facilities' construction, the Alaska Dam Safety Program must first certify the project. He opined that certification is a "big deal" because the Alaska Dam Safety Program is probably the most rigorous program in the country and its day-to-day management is certainly the most rigorous in the country.

SENATOR KIEHL noted that the legislature just passed a supplemental appropriation bill for recent earthquake damage. He asked what the project's seismic standards are designed to withstand.

MR. COLLIER answered that the seismic standards the project is designed to withstand are "huge". He opined that Alaska thinks of itself as an earthquake zone, but not many earthquakes occur in the Bristol Bay area. He noted that the "big earthquake" that occurred in Anchorage was not felt at the mine site because the fault lines are not in the area; however, the project is designed for a very significant earthquake. He pointed out that the recent earthquakes in Chile impacted tailings facilities that were essentially "pilings of sand". The Pebble Project's tailings facilities are designed to a much higher than the necessary standard.

SENATOR KIEHL asked what page in the Draft EIS specifically provides the seismic number that the tailings facilities are designed to withstand.

MR. COLLIER replied that he will provide the information to the committee.

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He explained that the pyritic tailings facility is fully lined because pyritic tailings present the risk of potentially generating acid. He provided details on the tailings facilities as follows:

- Pyritic tailings:
 - Water must cover the tailings.
 - Facility is fully lined.
 - Account for 12 percent of the total tailings.
 - Separating the tailings results in a smaller facility.
- Bulk tailings:
 - Facility will not be lined.
 - Tailings stored below the water table.
 - A lake will cover the tailings.

He noted that the Draft EIS addressed the tailings facilities as follows:

- Catastrophic failure is extremely unlikely.
- USACE did multiple failure scenario evaluations and concluded that there are no population level impacts for fish from the tailings' releases.

He reiterated that the Pebble Partners will not build the Pebble mine if salmon in the region are going to be at risk. Over the past decade the Pebble Project spent \$150 million just studying the area's: wetlands, groundwater, surface water, migration patterns, and fish habitat.

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He explained that the starting point for the analysis is that escapement is very low in the mine area because there are not many fish. The Upper Talarik drainage had about four-tenth of one percent of all the salmon in Bristol Bay that come up to the mine area. The South Fork Koktuli and the North Fork Koktuli account for eight-one-hundredths of one percent of all the salmon in Bristol Bay that would be at risk in the mine area.

SENATOR COGHILL asked if the escapement is for all of Bristol Bay or just the fish that flow up the river.

MR. COLLIER specified that it is the escapement up the river from Bristol Bay.

He opined that mining and fish do coexist. The Pebble Project's plan applies the best science and Alaska's highest standards. He pointed out that in Alaska there is a long history of responsible development that coexists with fish and wildlife at Fort Knox, Greens Creek, Kensington, Pogo, and Red Dog mines.

He said over 12 years has been spent talking about whether a mine will risk Bristol Bay's fishery. He emphasized that the Draft EIS provides an independent and scientific analysis that there is no long-term change to the health effect from the Pebble Project on Bristol Bay and Cook Inlet fisheries. He detailed that the study shows the Pebble Project will not reduce the returning of adult salmon in Bristol Bay's river systems and the impact from the project will not decrease the abundance of the fish and wildlife resource.

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JOHN SHIVELY, Chairman of the Board of Directors, Pebble Project, Anchorage, Alaska, provided his background information to committee members. He emphasized that he took the position at Pebble Project because he is convinced by science that the project can be built safely while bringing major economic and cultural benefits to the region's rural communities. He noted that he had worked on getting the Red Dog mine started with NANA and Cominco American. He highlighted the project's significance for the region: it allowed a borough government to be set up, it allowed money to flow into the borough government to improve the education system, and it created jobs. He opined that the Pebble Project will provide both economic and cultural benefits to the region. He said rural communities are losing people and the project will allow people to stay and work. Working at the Pebble mine will allow for participation in the region's subsistence economy which is so important to local's economic and cultural wellbeing.

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He pointed out that the Pebble Project will provide statewide benefits. The Pebble Project will spend over \$400 million a year in operations that will go towards wages, equipment companies, airlines, and food service companies.

MR. SHIVELY opined that the Pebble Project will have a tax impact. The Lake and Peninsula Borough will receive approximately three times its current budget. He noted that the borough is facing very serious difficulties, particularly with their education system. Last year the borough reduced the school year by 20 days due to the economic problems the borough is facing.

He emphasized that the Pebble Project will have an impact on the state. The project will pay three kinds of payments to the state: mining license tax, corporate income tax, and state royalties which go into the permanent fund because the project is on state land.

He detailed that the Pebble Project will provide 750 to 850 jobs. PLP believes that a number of the project's jobs, as with the Red Dog mine, will be held by local people who will be trained to take those jobs. The average mining wage is over \$100,000 a year. The project's jobs are primarily "rotational" and that will allow employees to both make money to feed their families and to participate in subsistence activities.

He said the Draft EIS points out that the project's benefits will be most apparent in the region's small rural communities. He noted that the project's strongest support is from people that are closest to the mine because they have already seen some of the project's benefits that were provided during exploration. The Draft EIS says the project will have minimal impact on access to subsistence resources with no change in resource abundance.

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He opined that jobs and tax revenues are important, but the most effective social program the project will provide is giving somebody a job. He emphasized that providing jobs will change people's lives. People with jobs tend to have more hope and behave better because they have a reason to behave better.

He noted that during the Pebble Project's exploration program, PLP supported the Alaska Native Science and Engineering Program at \$75,000 a year as well as supported geology and mining programs in Fairbanks and Anchorage. PLP also supported a variety of social programs throughout the region and state. He summarized that when the state gets a project like the Pebble Project, the state gets a company that is dedicated to not only

jobs, tax revenues and economic impact, but the state will see a very important underlying social impact as well.

MR. COLLIER summarized that PLP thinks the Draft EIS provides a clear path forward. It clearly says that Alaska's resource projects already coexist with fishing. The Pebble Project will use industry best practices. The project's benefits include increasing revenue, employment, and education. There will be no downstream impacts from the pit in post closure, and there will be no long-term change in the health of Bristol Bay and Cook Inlet fisheries. Alaska knows how to develop resource projects and PLP is eager for the Pebble Project to be the next one that is developed. PLP believes that the Pebble Project is the right mine at the right time and the partnership is moving forward with the project.

SENATOR REINBOLD asked Mr. Fueg if there are competing mines or competing opportunities in the area.

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JAMES FUEG, Vice President of Permitting, Pebble Limited Partnership, Anchorage, Alaska, answered that there is nothing in the immediate area that PLP is aware of. He said there are other exploration projects out there, but to the best of his knowledge none of the projects have a defined resource associated with them.

SENATOR REINBOLD asked Mr. Shively if he will "drink the tailings" as he previously has done.

MR. SHIVELY answered that he will drink the water from the bulk tailings because they are not toxic, but not the water from the pyritic tailings.

SENATOR KIEHL asked Mr. Collier whether the mineral he referred to earlier in the overview was "rhenium" or "radium".

MR. COLLIER replied that he said rhenium.

SENATOR KIEHL asked him to provide greater detail on the project's waste rock storage.

MR. COLLIER answered that the project has no waste rock storage. He explained that when the Pebble Project redesigned a smaller mine, it allows for the lowest strip ration, so there will be almost no waste rock to rip off to get to the ore. The waste rock that the project finds will be put into the tailings

facility so there will not be separate waste-rock piles. The smaller mine is a significant development that is much more environmentally sensitive.

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SENATOR KIEHL asked how much of the project's probable ore body can be mined based on the tailings facility's capacity.

MR. COLLIER answered approximately 10 percent.

SENATOR KIEHL asked what the likelihood is for future expansion, especially when the project will only mine 10 percent of the ore body, the infrastructure is in place, and workers are trained.

MR. COLLIER answered that he would not be surprised if an expansion plan comes along. He emphasized that the Pebble Project currently does not have plans for expansion. He pointed out that any expansion will require another permitting process.

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SENATOR KIEHL asked if a new EIS will be required for expansion.

MR. COLLIER answered that a new EIS depends on the proposed expansion. He said a sliver around an edge might not require a new EIS, but any kind of significant expansion will require the entire EIS process to be done again.

SENATOR KIEHL noted that there are several hard rock mines in his district that have worked hard to recruit and train locally; however, their percentage of Alaskans hired has dropped precipitously. He asked Mr. Collier how much thought has been put into avoiding dislocation in the region by hiring locally.

MR. COLLIER answered that the Pebble Project has put a lot of time and effort into planning its workforce development strategy. PLP wants to recruit people that live in the region and want to stay in the region. The Pebble Project has already gone out soliciting those that might be interested in the necessary training, but the project must be careful not to train workers too much in advance.

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MR. SHIVELY opined that one of the other differences between the Pebble mine and the mines that Senator Kiehl referenced is that the mines in Senator Kiehl's district are underground and underground mining is much more difficult to recruit people who end up "living in the dark". He added that another factor in

trying to keep people in Juneau is the fact that the flight is short between Juneau and Seattle.

SENATOR KAWASAKI asked Mr. Collier if the current EIS will cover expansion, the use of cyanide to enhance gold recovery, or the creation of waste rock piles.

MR. COLLIER answered that the changes Senator Kawasaki described probably will require different permit types.

SENATOR KAWASAKI asked whether the changes he noted will require the Pebble Project to redo its EIS process.

MR. COLLIER replied that the requirement to redo the process depends on the changes. If the change is to double the mine's size, that will probably require the entire EIS process to be redone.

SENATOR KAWASAKI asked who ultimately makes the decision to redo an EIS.

MR. COLLIER replied that regulatory agencies make the decision, not the Pebble Project.

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SENATOR KAWASAKI asked if the smaller footprint has impacted the project's economic feasibility.

MR. COLLIER admitted that a smaller mine is not as good economically as the bigger design. He said the Pebble Partnership found the "sweet spot" in making enough profit and being confident the mine will get developed.

SENATOR KAWASAKI asked if there is an economic feasibility proposal on the Pebble Project.

MR. COLLIER answered that PLP has a lot of internal economics on the project, but PLP is not presently able to release economic information due to regulatory requirements.

CHAIR BIRCH thanked PLP for providing the update on the Pebble Project's Draft EIS.

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There being no further business to come before the committee, Chair Birch adjourned the Senate Resources Standing Committee meeting at 4:33 p.m.