

We've Still Only Scratched The Surface.

After more than 50 years of coal mining in Healy Alaska, we've barely begun to tap this valuable energy resource. At our current production rate, we could mine for another 100 years on our active coal leases alone.

And at the Healy Clean Coal Plant, the combination of state-of-the-art combustion technology and Usibelli's ultra-low sulfur coal will generate some of the cleanest energy anywhere in the world.



100 CUSHMAN STREET, SUITE 210 • FAIRBANKS, ALASKA 99701

Resource Development Council
121 W. Fireweed, Suite 250
Anchorage, AK 99503
ADDRESS SERVICE REQUESTED

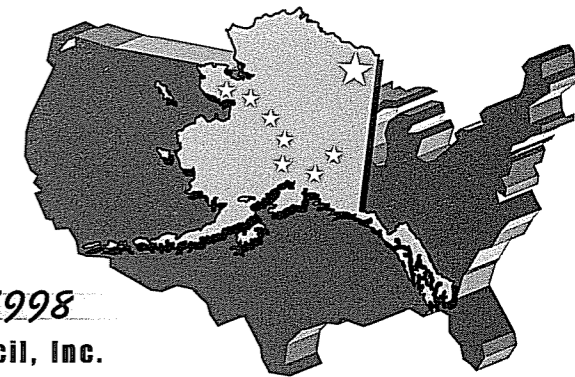
Bulk Rate
U.S. Postage
PAID
Anchorage, AK
Permit No. 377

This Edition Sponsored by: **Usibelli Coal Mine, Inc.**

Resource Review

August 1998

A periodic publication of the Resource Development Council, Inc.



Proposed gravel road in Izembek Refuge draws national attention

Stiff opposition, despite minimal impact to refuge

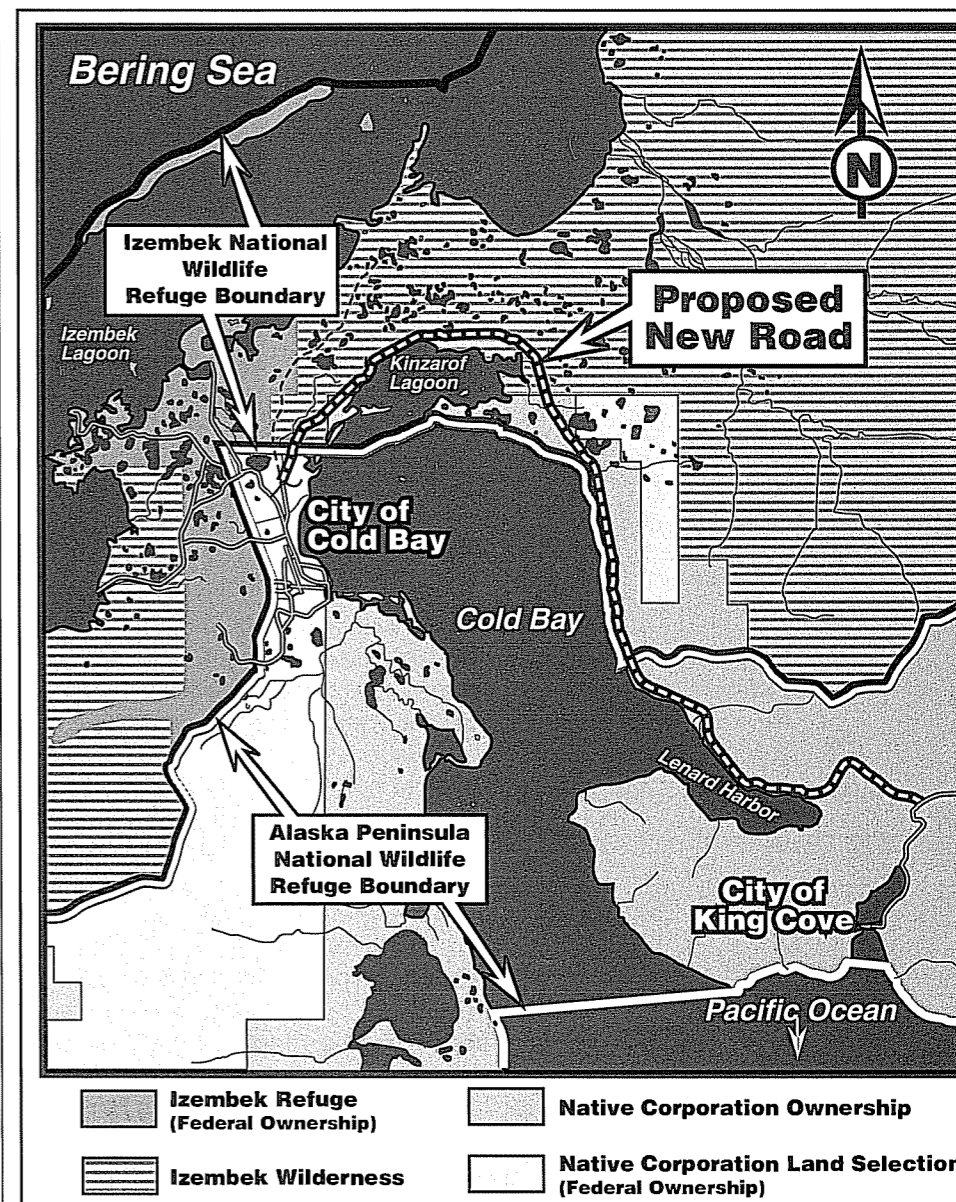
by Tadd Owens
RDC Special Assistant

A proposed 27-mile gravel road connecting two small communities in a remote corner of Alaska has attracted the attention of prominent newspapers from coast to coast, received threats of veto from President Clinton, and become the focus of fund-raising campaigns for several national environmental organizations.

The one-lane, gravel road would establish a ground link between the isolated communities of King Cove and Cold Bay. King Cove residents currently have no safe way of reaching the all-weather airport in Cold Bay for medical evacuation to Anchorage during frequent harsh weather. Local residents say the road would greatly enhance public safety and improve access.

However, the surface link between the two communities has attracted stiff opposition from environmental groups as ten miles of the road would be built inside the southeastern edge of the 300,000-acre Izembek National Wildlife Refuge. Seven miles of the route are within the refuge's designated Wilderness area.

(Continued to page 4)



Map Prepared by The Graphics Dept. Inc.



Message from the Executive Director by Ken Freeman

A busy summer at RDC

The summer of 1998 has been a busy one at RDC with special projects and issue work. June started with the 6th Annual Coal Classic Golf Tournament featuring 36 teams benefitting AMEREF. This year's golf tournament, which RDC helps coordinate each year, was the Alaska Coal Association's largest. A big thank you goes to all those participants in this year's tournament!

Later in June, RDC held its 24th Annual Meeting. Over 40 board members attended the business meeting while some 300 RDC members turned out for the luncheon which focused on the impact of the Asian financial crisis on Alaska's basic industries.

As many of you may have read in last month's Resource Review, RDC had the unique opportunity of helping

host a tour of Alaska for three members of the Federal Energy Regulatory Commission. This was an important opportunity to help showcase Alaska before federal regulators.

Other big efforts this summer included a review of the Northstar DEIS. RDC, as well as many of its members, testified at public hearings in Anchorage and Fairbanks in support of developing this new oil field, located six miles offshore Prudhoe Bay. The hearings were well attended and showed broad support among Alaska industries for this project.

RDC also supported an Alaska exemption from EPA standards for low-sulfur diesel fuel. Implementing the use of low-sulfur diesel fuel in Alaska would have a big impact on Alaska refineries and many small communities which

utilize diesel generators for energy production and cannot afford new low-sulfur generators.

There's a host of other issues our staff has been tackling this summer, including the National Marine Fisheries Service's (NMFS) recommendations on Essential Fish Habitat, proposed revisions to Alaska's water quality standards, new regulatory initiatives under the Alaska Coastal Management program and implementation of the new federal clean water action plan in Alaska.

Coming up this month, RDC and the Alaska Support Industry Alliance will co-host a special lunch in Anchorage featuring Idaho Congresswoman Helen Chenoweth.

We'll keep you posted on other events, including RDC's fall board trip to Nome and the annual conference.

All of us at RDC hope you are having a great summer and we look forward to seeing you at a Thursday breakfast meeting this fall!

Murkowski pushes new seismic mapping of ANWR's coastal plain

Senator Frank Murkowski is seeking legislation to open the coastal plain of the Arctic National Wildlife Refuge to advance seismic mapping.

The legislation is sure to touch off another battle in 1999 with the Clinton administration and environmentalists who maintain that no oil drilling should occur in ANWR regardless of how much oil may be in place there.

The U.S. Geological Survey released a report in May revealing there may be larger quantities of oil beneath the coastal plain than previously thought. The new assessment estimates that up to 11.8 billion barrels of oil may lie under the area. A 1987 study estimated up to 9.2 billion barrels could be in place.

The new report also estimated that 85 percent of the in-place oil is likely to

be concentrated in the northwest sector of the coastal plain, just east of existing North Slope infrastructure, instead of in the isolated southeast corner as originally thought by authors of the 1987 study.

The new assessment was conducted over three years and utilized data collected in 1984-85.

Murkowski's bill would seek congressional approval for a new round of seismic work using advanced three-dimensional underground mapping. The new technology, not available in previous studies, could erase much of the uncertainty about ANWR's oil potential.

Interior Secretary Bruce Babbitt has pledged to seek a presidential veto of any legislation pertaining to new seismic work.



Inlet gets clean bill of health

The results of the first half of a major two-year, \$1.5 million study have shown there has been no increases in sediment contaminants in Cook Inlet since oil operations began there in the early 1960s.

The U.S. Minerals Management Service (MMS) in Anchorage ordered the study at the urging of Greenpeace and other environmental and Cook Inlet watchdog groups. The study was conducted by Arthur D. Little, an internationally-known research firm.

Previous studies conducted within the actual boundaries of Cook Inlet by MMS and others had come up with insignificant levels of contaminants when compared to background levels of the same compounds naturally found in the Inlet.

Greenpeace and other environmental groups have challenged the results of previous studies, maintaining that the lack of contaminants in Cook Inlet meant the pollution was probably getting deposited in the depositional areas of outer Cook Inlet and Shelikof Strait.

However, the new study didn't find any signs of industry contaminants in the outer areas either. The study found that naturally produced trace metals and hydrocarbons from streams and rivers that run into Cook Inlet -- and crude oil from several natural oil seepages -- accounted for all but an insignificant fraction of the trace metals and hydrocarbons found in Cook Inlet sediment cores.

Proposed EFH regulations raise concern

(Continued from page 6)

1996 amendments to the Act were enacted with little debate, without involvement of any industry besides commercial fishing.

The plain language of the statute refers to "essential" or "necessary" fish habitat. The NMFS regulations, however, define EFH in the broadest possible terms to encompass any place where salmon or other anadromous fish currently or historically have spent some part of their life cycle, whether salt water, estuary, or far inland.

The regulations then set out an elaborate and confusing "ecosystem" based formal consultation process to be imposed on other federal agencies such as the Forest Service, Bureau of Land Management, and the Corps of Engineers, and to which state permitting or funding actions will also be at least in part subject. The regulations empower the councils to develop and make recommendations for protection of EFH for any federal or state permitted or funded activities. However, the regulations provide no meaningful voice for permit applicants or for nonfishing entity expertise in this council function.

Industries besides commercial fishing finally became aware of the EFH program late in the rulemaking process. An informal nationwide coalition comprised of a wide range of affected nonfishing interests has for the past year endeavored to accomplish reform of the NMFS approach to EFH. Nonfishing interests sharply criticized NMFS's proposed and interim final regulations and the process which NMFS used in developing the EFH program.

Nonfishing interests are asking that 1) the scope of the program be properly scaled back to the marine habitat focus of the Magnuson-Stevens Act; 2) realistic limits be placed on the identification of "essential" habitat; 3) the EFH consultation process be simplified and redundancies with other fish protection consultation and coordination procedures be eliminated; and 4) nonfishing interests be given a meaningful voice in any NMFS or Council recommendations for restrictions on nonfishing activities based on potential fish habitat impacts.

The Resource Development Council has become active in commenting

on EFH proposals and assisting the nationwide reform effort. The Alaska Forest Association, Alaska Miners Association, and other concerned Alaskans have also been actively involved.

The Alaska Congressional delegation and other leaders in Congress are now aware of the strong dissatisfaction with the EFH program and are pursuing steps to bring about change.

NMFS requests to expand funding for EFH at the expense of other important marine fisheries programs has heightened Congressional concern. The recently issued Senate Committee on Appropriations report to accompany Fiscal Year 1999 appropriations for the Department of Commerce expresses concern that NMFS has exceeded the scope of Congressional intent in implementing Magnuson-Stevens Act EFH provisions. The report directs NMFS to reexamine the scope of its regulations and guidelines, and directs the Government Accounting Office (GAO) to report on NMFS implementation of the statute.

Perkins Coie LLP is providing coordinated legal services for a large number of nonfishing entities concerned about the EFH.

Resource Review is the official periodic publication of the Resource Development Council (RDC), Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in an orderly manner and to create a broad-based, diversified economy while protecting and enhancing the environment.

Executive Committee Officers

President Allen Bingham
Sr. Vice President Jim Branch
Vice President Robert Stiles
Secretary Uwe Gross
Treasurer John Sturgeon
Past President Scott Thorson

Staff

Executive Director Ken Freeman
Deputy Director Carl R. Portman
Finance/Membership Steven Dougherty
Special Assistant Tadd Owens

RDC is located at 121 W. Fireweed, Suite 250, Anchorage, AK 99503. (907) 276-0700. Fax: 276-3887.

Material in this publication may be reprinted without permission provided appropriate credit is given.

RDC's e-mail address:
resources@akrdc.org
Writer & Editor
Carl Portman

NMFS Essential Fish Habitat program: Ecosystem management without limits?

By Robert A. Maynard
Perkins Coie LLP

The National Marine Fisheries Service (NMFS) is preparing to implement new "essential fish habitat" regulations which will subject a very broad range of natural resource business activities to yet another layer of federal environmental review.

The regulations would require many mining, oil and gas, real estate development, timber harvest, agricultural, and other coastal and inland activities to undergo a cumbersome "consultation" process regarding potential impacts to fish habitat. This process would be much like the time consuming and expensive procedure established for projects with potential effects on fish or wildlife species listed as threatened or endangered under the Endangered Species Act (ESA).

The process would in many cases include detailed watershed or "landscape" level analyses of cumulative "ecosystem" impacts and mitigation measures. The process would apply much more broadly than the ESA currently does in Alaska and many other states. It could extend to any operations requiring any federal or state permit and that might adversely affect any marine or inland salmon habitat identified as "essential."

The NMFS has recently issued draft recommendations that virtually all water bodies presently or historically accessible to salmon in Alaska be considered "essential fish habitat." This includes thousands of miles of Alaska streams and other waters where salmon spend some part of their life cycle, including the smallest of tributaries located hundreds of miles inland. The agency has also issued guidance presuming adverse impacts on salmon and other fish from all kinds of coastal and upland resource development and land use activities.

The regulations, published in the Federal Register as an "interim final

"The NMFS has recently issued draft recommendations that virtually all water bodies presently or historically accessible to salmon in Alaska be considered 'essential fish habitat.' This includes thousands of miles of Alaska streams and other waters where salmon spend some part of their life cycle, including the smallest of tributaries located hundreds of miles inland. The agency has also issued guidance presuming adverse impacts on salmon and other fish from all kinds of coastal and upland resource development and land use activities."

rule" on December 19, 1997, are mostly procedural in nature. However, they can be expected to affect the outcome of permitting agency decisions.

Federal agencies in particular are required to complete detailed written habitat impact assessments at the behest of NMFS and explain in writing the reasons for not adopting any mitigation measures recommended by NMFS. The process may be combined with agency coordination and public comment procedures already required for many projects under the Clean Water Act and other laws, but it adds specific and potentially very redundant impact assessment and consultation requirements to existing processes.

The "essential fish habitat" (EFH) amendments in the 1996 Magnuson-Stevens Fishery Conservation and Management Act address an objective that most people readily support—conservation and enhancement of essential fish habitat. The amendments require the various marine fisheries management councils, in their fishery management plans, to identify EFH, minimize adverse effects on EFH from fishing, and identify ways to conserve and enhance EFH.

The North Pacific Fisheries Man-

agement Council (NPFMC) administers a plan for salmon fisheries off the Alaska coast which includes all five species of salmon, as well as plans for specified marine groundfish, king and Tanner crab, and Alaska scallops fisheries. The statute authorizes the Council to make recommendations to federal and state agencies permitting or funding activities that may affect habitat of a fishery under the Council's authority.

The Magnuson-Stevens Act requires NMFS to establish by regulation guidelines to assist the NPFMC and other councils in identifying, conserving and enhancing EFH. The Act separately requires federal agencies to consult with NMFS regarding any actions they authorize or fund which may adversely affect identified EFH. It also requires NMFS to recommend measures a state or federal agency can take to conserve EFH if that agency's authorized or funded action would adversely affect identified EFH.

The Magnuson-Stevens Act and the councils administering the statute focus upon management of marine fisheries and regulation of the offshore fishing industry. Council membership and staff support are accordingly dominated by marine fishing interests. The



Thoughts from the President by Allen Bingham

Partnership works for the collective good

In the shadows of the DeLong Mountains of the Brooks Range, two worlds have come together in a partnership to produce zinc, create jobs and improve the quality of life in a region of Alaska that has typically had a high unemployment rate.

For more than a decade, NANA, the region's Native corporation, and Cominco Alaska have joined together to develop and operate the Red Dog Mine in Northwest Alaska. Both Cominco and NANA are not only proud of the fact that Red Dog leads the world in zinc production, but is a time-tested model of working cooperatively with indigenous people.

In 1978, NANA made its most economically-significant land selection when it claimed the 120 square-mile block of land overlying the Red Dog zinc and lead ore body. NANA chose Cominco as its partner because of its worldwide experience and Arctic expertise in developing mineral deposits, as well as its willingness to respect the traditional way of life of Native Alaskans who have lived in the region for hundreds of years.

NANA and its new partner worked to overcome construction and start-up challenges in a remote Arctic site. The decision to ship the concentrate from the existing port site on the Chukchi Sea involved a land trade to secure an easement from the federal government allowing 20 miles of a 52-mile road to traverse Cape Krusenstern National Monument. Road construction required 33 permits from seven different state and federal agencies.

The Red Dog zinc and lead ore body is the world's largest zinc deposit,



Using the Peninsula Airways hangar in Anchorage as a back drop, Governor Knowles signed a bill earlier this summer reauthorizing the bonding authority of AIDEA. The bill, sponsored by Knowles, included a provision which authorizes bonds to help enhance operations at the AIDEA-owned port serving the Red Dog Mine. Pictured from left are Randy Simmons, AIDEA, Edward Rasmuson, National Bank of Alaska, Wilson Hughes, Chair of the AIDEA Board, Governor Knowles, Orin Seybert, Peninsula Airways, RDC President Allen Bingham and Representative Ethan Berkowitz.

containing almost 30 percent of all zinc in the western world. Over 3 million tons of ore are mined annually at Red Dog and milled into concentrate. This product is transported year-round to Red Dog's tidewater port, which is ice free for about four months of the year. When the port is icebound, the concentrate is stored in two of the largest buildings in Alaska.

Under a development agreement signed well before production began in 1989, Cominco operates the mine and markets the concentrates while training and employing shareholders of NANA. This agreement has allowed the people of this region to pursue their traditional lifestyle while receiving training and good-paying jobs. More than 55 percent of Red Dog's work force consists of NANA shareholders.

As Red Dog operations expand and grow, both Cominco and NANA are confident their relationship will continue to prosper. The mine is in the final stages of a construction project aimed

at boosting production by 40 percent.

Part of this confidence is based on the support Red Dog continues to receive from the State, particularly the Alaska Industrial Development and Export Authority (AIDEA), an agency that has played a key role in the success of the NANA-Cominco partnership. AIDEA issued bonds to help pay for the \$180 million transportation system, which includes the road to tidewater and the port facility to ship the mined product to smelters. Cominco has been repaying the bonds with interest on a guaranteed payback schedule set through user and export fees.

AIDEA continues to play a pivotal role as it moves forward on authorizing new bonds to enhance operations at its Chukchi seaport to handle the projected increase in production at Red Dog.

Governor Knowles, the Legislature, Cominco and NANA deserve credit for fostering a partnership that encourages new development and works for the collective good.

King Cove officials insist road is a genuine public safety issue and bristle at claims that the surface link would sacrifice the refuge and harm wildlife

Izembek road stirs big debate

(Continued from page 1)

Opponents believe the road would sacrifice the refuge and put wildlife and waterfowl in jeopardy. They claim the public safety issue cited by proponents of the road is really a ruse to open the area to hunting and fishing.

King Cove and Aleutians East Borough officials, however, insist the road is a genuine public safety issue. In some medical emergencies, it could make the difference between life and death. Lost in the debate, they say, is the fact the proposed route for the road avoids primary nesting habitat, feeding and denning areas. Proponents also note the new road would cross less than one percent of the refuge and that 13.75 miles of existing roads already exist inside the Wilderness area itself. These roads were built during the World War II era and 75 percent of them are in

use today by local residents and tourists.

King Cove and Cold Bay, towns with respective populations of 800 and 100, are located on the western edge of the Alaska Peninsula nearly 625 miles southwest of Anchorage. These two communities are accessible only by plane or boat. This region of Alaska is subject to some of the most extreme weather conditions anywhere in the world. Rain is common and high seas and hurricane-force gales are frequent.

In the case of a medical emergency, victims are transported from King Cove to Cold Bay by either plane or boat in order to reach superior hospital facilities in Anchorage. Air travel between King Cove and Cold Bay during severe weather is extremely dangerous. Since 1980, 11 people have died attempting to get in or out of King Cove.



The King Cove airport is rated among the most dangerous in Alaska. An aircraft with a bent propeller sits off the airstrip.

King Cove's airport is located in a steep valley surrounded on three sides by mountains and perpetually affected by venturi-magnified winds. Weather hazards hamper aircraft operations nearly every day. Air access to and from King Cove at night is impossible.

Meanwhile, Cold Bay, 20 miles northwest of King Cove, is the site of one of Alaska's largest airstrips. The Cold Bay airport is an all-weather facility with full instrumentation, boasting the state's third largest runway at over 10,000 feet with a crosswind runway of over 5,000 feet. The Cold Bay facility serves as an alternate landing destination for jets flying to and from Anchorage and is also capable of serving as an alternate landing destination for the space shuttle.

Marine travel is currently the only alternative for residents of King Cove to reach Cold Bay. However, weather adverse to flying often creates treacherous or even impossible boating conditions. The nearly three hours required to reach Cold Bay by boat, coupled with the fact that the harbor lacks adequate small boat moorage facilities, makes marine travel between the two communities an impracticable alternative in serious medical emergencies.

Secretary of the Interior Bruce Babbitt and the U.S. Fish and Wildlife Service oppose construction of the road because they say it threatens the nesting grounds of migratory waterfowl, valuable brown bear habitat and ecologically-important eelgrass.

"The sacrifice of habitat for millions of migrating waterfowl -- all remaining emperor geese, many threatened Steller's eiders, tundra swans and the entire Pacific brant population -- is



The Cold Bay all-weather airport boasts two runways, including Alaska's third longest.

KCC would trade title to 664 acres of high value lands for the easement, leaving the refuge with a net gain of over 550 additional acres of Wilderness.

incalculable," Babbitt recently wrote in a *New York Times* editorial.

Alaska's congressional delegation and officials from King Cove and Aleutians East Borough disagree with Babbitt's assessment.

"It's time that Secretary Babbitt put the political influence of special interest groups behind and to do what's right for the Aleut people of King Cove," said Congressman Don Young. King Cove's mayor, Henry Mack, added, "there are already 40-plus miles of roads in Izembek Refuge and they are not disrupting the 200,000 birds there."

Federal legislation sponsored by the Alaska congressional delegation authorizes a land exchange between the U.S. Fish and Wildlife Service and the King Cove Corporation (KCC) in return for a road easement. KCC would trade title to 664 acres of high value lands for the easement, leaving the refuge with a net gain of over 550 additional acres of Wilderness. Furthermore, the legislation grants the

Secretary of the Interior power to regulate use of the road.

Deborah Williams, Special Assistant to Secretary Babbitt for Alaska, told the *Alaska Journal of Commerce* legislation for the road and a land transfer is premature. "Until an 'alternative analysis' is complete, a land transfer for a road will not happen," Williams said.

Opponents of the road have offered several alternatives, including construction of a regional medical clinic, the use of telemedicine in King Cove, creation of a ferry system and construction of a helipad for use by Coast Guard helicopters from Kodiak.

Construction of a regional medical facility in King Cove would not only be expensive, it also would not address the issue of reliable access to adequate medical care in the event of a severe medical emergency. Telemedicine also cannot adequately deal with cases of severe injury or medical emergency.

"Telemedicine cannot reduce a complex fracture, perform cardiac catheterization on a patient with chest pain and blocked coronary arteries or CT scan the head of a fisherman injured at sea," said Leslie Kerr, a health care professional at the King Cove Medical Clinic. "Tourists arriving in Cold Bay are often told the runway is an alternative landing site for the space shuttle, but we frequently can't get there by Bush plane on 'no fly' days, and never at night," Kerr pointed out. "A

safe, well-maintained road between King Cove and Cold Bay would bring us to our connecting aeromedevac flight and into the 21st Century of emergency responsiveness."

A ferry system between King Cove and Cold Bay would also be expensive and inefficient. Such a project would require improvements to the Cold Bay harbor, enhancements to Lenard Harbor near King Cove, and the purchase and maintenance of a suitable marine vessel.

"A 50 to 70-foot vessel advocated by the Audubon Society is a vessel for the Potomac River, not the ocean between King Cove and Cold Bay," said Mayor Mack. Furthermore, he explained demand for a regularly-scheduled ferry does not exist and that the time required to reach Cold Bay by boat in an emergency may be too great.

Aviation experts warn that weather conditions adverse to boating or flying fixed-wing aircraft would also make flying a helicopter risky.

"Although the Coast Guard does an excellent job and its helicopters can fly in winds as high as 90 mph over the ocean, high winds in mountainous terrain create myriad safety problems related to turbulence," said Chuck Johnson, President of Era Aviation. Johnson characterized helicopter rescues in King Cove as "very impractical" because of local terrain and weather conditions, particularly at night. He pointed out that a Coast Guard helicopter departing Kodiak has approximately 400 miles to travel before it can reach King Cove and even consider a landing.

"Politics aside, a road connecting these two communities is the best alternative for improving public safety and providing peace of mind to the residents of King Cove and Cold Bay," said Bob Juettner, Administrator for the Aleutians East Borough. "Both communities have worked hard to create a scenario in which the construction of the road should be agreeable to all concerned parties. They should have something to show for their efforts."

Editor's Note: At press time, negotiations were reportedly getting underway between the Interior Department and the Alaska Congressional Delegation to find a potential solution, including consideration of a causeway that would allow the road to bypass the refuge.



King Cove's port serves as a service center for the region's commercial salmon fleet.