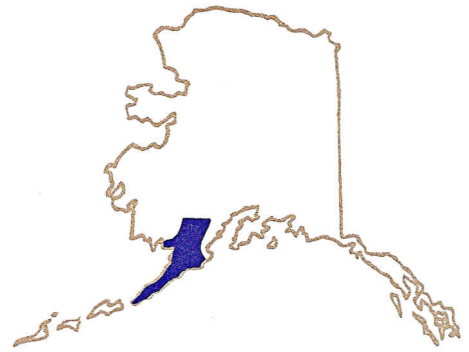




## **Lake and Peninsula Borough**

*P.O. Box 495  
King Salmon, Alaska 99613*

*Telephone: (907) 246-3421  
Fax: (907) 246-6602*



December 11, 2018

Via Email

Shane McCoy, Program Manager, Regulatory Division  
U.S. Army Corps of Engineers, Alaska District  
ATTN: DA Permit Application 2017-271, Pebble Limited Partnership  
P.O. Box 6898  
Joint Base Elmendorf-Richardson, Alaska 99506-0898

Subject: Lake and Borough Comments on Preliminary Draft of Section 3.3 – Socioeconomics

Dear Shane:

This letter provides the Lake and Peninsula Borough's comments on the draft of Section 3.3, Needs and Welfare of the People – Socioeconomics that was distributed by e-mail on November 2<sup>nd</sup>. Our comments are divided into general, and specific comments. We appreciate the opportunity to review these and other drafts.

### **General Comments**

**Repeating Comments from September 7<sup>th</sup>.** We commented on the preliminary draft in a letter dated September 7<sup>th</sup>. Some of our comments were incorporated. Thank you. However, a number of important comments were not incorporated, and we have had no opportunity to discuss them with you or the EIS contractor. While a formal written response may be counterproductive at this point, in-person discussion would be useful. Writing similar comments in multiple letters is not useful. Yet it appears that without some discussion with you or the contractor to either express ourselves or understand why the comments were not used, we are destined to repeat ourselves. We had hoped a cooperating agency relationship would involve more two-way communication and collaboration. We still hope so.

**Social & Cultural Affects.** The Socioeconomic Section presents the socioeconomic situation of the villages in the project area essentially as the sum of the census data: population, median family income, housing, etc. But the people's ties to their villages are cultural, family related and social. This crucial part of the socioeconomic situation of the area is not captured in the census data. People live there not just because they ended up there with a job and met friends, but it is where they are from in a more profound way. They have family and kinship relationships in their villages and within the region. They have tribal associations with the village or frequently nearby villages, and ties to the land. They incorporate fishing and hunting into their culture in a manner which is specific to this area and their lifestyle. This is true of those who commercial fish, those who hold multiple part-time jobs, and those who are employed full time.

These social and cultural relations are disrupted when a school closes, and a town loses population, or when the lack of employment opportunities force people to leave the region. But they can also be disrupted by an influx of population without the social and cultural ties to the area. They could be disrupted by competition for subsistence resources, or in a host of other ways.

We are not sure how to use available data to capture these socio-cultural ties. Certainly, subsistence data helps, and should be summarized here. But a section that describes the socioeconomic situation of the region is incomplete without a discussion of the area that captures the relationship of the residents to the area and to each other and to the land. That information in some form should be incorporated in to this section.

**More Detail on Borough or at least Lakes-area Villages.** The proposed Pebble Mine could have a major effect on the life in the nearby villages. Assuming the mine meets permitting standards and maintains compliance, people living in Kenai, Togiak, or Dillingham will almost certainly not notice the mine on a day-to-day basis. Some of their neighbors could be employed, but they do not see the mine or hunt there, nor will it affect their transportation or day-to-day life. But nearby villages will be affected in a significant way: some of those effects may be good, some bad, but the changes will be felt every day by everyone in the village.

The villages will be changed because of population changes, or because the amount of weeks-on-weeks-off employment of their neighbors changes how individuals relate to the village. Road access certainly changes how a village interacts with the outside world and how residents see themselves. Competition for subsistence resources, or changes in migration routes, or different access to hunting areas all change the village. The preliminary draft of Section 3.3 gives more-or-less equal treatment to all parts of the study area. All of the tables have more detail about the lakes-area villages – and we appreciate it – but the level of detail in this section does not provide an adequate baseline to evaluate the socioeconomic effects of the project on these villages. Our suggestions on the subjects that should be included in greater detail is included below and in the specific comment section of this letter.

**Not Using Available Data.** We understand that it may be difficult or impractical to gather some data that would be useful in evaluating socioeconomic effects. But we do not understand why data that is already available and published is not being used. Specifically, the Pebble Limited Partnership prepared a substantial socioeconomic data compendium: *Socioeconomics – Bristol Bay Drainages, updated detailed cumulative baseline Data (2000-2018)*, prepared by McDowell Group for The Pebble Partnership, May 8, 2018. The document provides extensive data on a variety of socioeconomic subjects that would improve the preliminary draft EIS. We do not understand why much of this data was excluded.

**Data Quality Issues.** The September 7<sup>th</sup> letter highlighted some data quality issues, particularly with the Census Bureau's American Community Survey. We appreciate you changing some tables to include the margin of error. Unfortunately, a few issues remain. This letter discusses those issues in the specific comments portion of this letter.

**Socioeconomic Issues.** A socioeconomic impact analysis for our communities is best approached not from the standpoint of a typical census socioeconomic profile, but from the standpoint of the likely issues that may be affected by the mine.

**High cost of living.** The cost of living is quite high and could be significantly affected by the proposed road. The September 7<sup>th</sup> letter requested:

The chapter gives only two sentences to the high cost of living in rural areas and groups all rural areas together. Since the high cost of living is one of the central facts of village life, it is worth providing data that delineates different villages or regions from one another, and focusing on the lakes-area villages, because the project has the potential to affect the cost of living in these villages.

We still make that request. Specifically, the McDowell Report cited above includes the January 2018 cost of home heating fuel and gasoline for each village. The cost of electricity is available from public sources at the Regulatory Commission of Alaska and the Alaska Energy Authority. The cost of transporting groceries is available from charter operators and the companies that use the Pile Bay Road. Other representative costs are probably easily obtainable. These costs would give much better picture of life in the villages – and also it provides a basis for informed estimate of the potential for price decreases that may be associated with the project.

***Lack of Economic Opportunity.*** The draft provides the number of workers, unemployment rate, etc. However, some additional information from the McDowell Report may be useful. We recommend tables from that report in the specific comments.

***Commercial Fishing.*** In general, commercial fishing permits have been leaving the Borough. The number of permits in the villages and the number of permits fished has been decreasing, though crew shares appear steady. That information is important and should be included in this section. If it is included elsewhere, the information should be summarized and referenced. The McDowell Report includes information on commercial fishing permits and crew.

***Potential for school closure.*** From the September 7<sup>th</sup> letter:

One of the most important implications of the small population is the continuing possibility of school closures. When the October school population falls below 10 students, K-12, the school closes. Once the school closes, the town population typically drops dramatically, and the character of the town changes. In 2000, the Ivanof Bay school closed, and the town was vacated within a few years. A decade later, the Pedro Bay school closed, and population has since dropped significantly. The Egegik school closed in 2015. The Chignik Lagoon school may close this October. While the district-wide school populations have been generally stable over the last few years, it is worthwhile showing the overall decline in district population and populations at each school. That would show the danger of further population decline. This is especially important given the potential for population changes due to the project.

The McDowell Report contains information to show the historic and current school population in each village. Section 3.3 should show those for each village, highlight the villages with school population close to the 10-person limit, and provide the history of school closure in the Borough including that village's subsequent fall in population.

***Population.*** It also seems useful, in addition to showing population data, to show migration data the locations to which or from which people enter or exist the borough, and net migration. Borough- and community-level information is available at <http://live.laborstats.alaska.gov/pop/migration.cfm>. Community-level information is also available in the McDowell Report.

***Subsistence.*** From the September 7<sup>th</sup> letter:

We understand that Subsistence is included in another section of the chapter. Nevertheless, our villages exist in a mixed cash-subsistence economy. Individuals in our communities use both to maintain their standard of living. Therefore, some explicit discussion of subsistence, or a summary with a cross reference to that chapter is warranted. Presenting income without the complementary discussion of subsistence paints a false impression of the village economies. Perhaps moving the two sections to adjacent sections of the chapter would help.

We still believe this comment is appropriate.

**Transportation.** The transportation subsection has a discussion of roads but not trails. Trail use of the area is important. The use is especially important as the ferry has the potential to disrupt the winter cross-lake village traffic. The RFI on trail use has important information that should be a part of this or another section of the EIS.

### Specific Comments.

- Page 1. Section 3.3.1.1. In the second paragraph it reads that “25 percent of the State’s income from mineral extraction is placed in the APF” [Alaska Permanent Fund]. That is incorrect. First, payment to the permanent fund is limited to mineral rents, lease payments, and royalties. Taxes, including the Mining License Tax which is the largest income source, and Corporate Income Tax which is frequently the second largest income source, do not go to the permanent fund.

Second, AS 37.13.010 specifies 50% of revenue from leases issued after 1979 goes to the permanent fund. We understand that mining claims qualify as a lease under this statute.

- Page 4. In the September 7<sup>th</sup> letter we indicated the following. We still believe it to be appropriate:  
Grouping the Lake and Peninsula Borough with Dillingham and the rest of the Dillingham makes the analysis superficial. The economies of different parts of Bristol bay are actually different. This subsection should be deleted. We assume that the economy of the area will be discussed in greater detail in some other portion of the EIS that we have not yet seen.

If the section is not deleted, then the borough should be separated out from Dillingham and the differences discussed.

- Section 3.3.1.2. In the September 7<sup>th</sup> letter we indicated the following. We still believe it to be appropriate:

Cost of Living. This section should have more detail. We suggest a table with electricity prices; heating oil; etc. This is especially important because the proposed road as the potential to significantly decrease the cost of living in the villages. Therefore, this section should have a baseline that the consequences of Chapter 4 can be measured against.

In the General Comments section of this letter, we provide some data sources where the information can be easily obtained. The specific information should be provided for the borough and for each village, and a comparison with Alaska benchmarks: Anchorage, Dillingham, Fairbanks, etc. should be provided for reference.

- Section 3.3.1.3. – Education. Given the central issue of school closures to the well-being of the borough villages, more information should be provided on school closures. We requested this in the September 7<sup>th</sup> letter. We still believe it to be true. We provided more information and an easily accessible data source in the General Comments section of this letter.

- Section 3.3.1.3 – Transportation. As indicated in the September 7<sup>th</sup> letter:

“As the project has the potential to greatly change the transportation for villages, it is important to have chapter 3 show the baseline. It should show the cost of freight to the villages by air. It should describe the difficulties of the Pile Bay Road and discuss possible costs for fishing boat transport and freight over the road.”

We still believe this to be appropriate. One important socioeconomic effect of the mine is the potential to reduce prices through cheaper transportation. The EIS should determine if this perception is correct. The only way to do that is to show current prices and estimate potential changes.

- Section 3.3.1.3 – Health services. From the September 7<sup>th</sup> letter:

I’m confused about what is Bristol Bay. I thought the entire area is Bristol Bay. The health section indicates that there is Bristol Bay, and there is Iliamna and Lake Clark communities. In fact, I believe that many communities are a part the Anchorage-based health consortium and, some are affiliated with BBAHC.

We are not sure why this is difficult to fix. Some villages are associated with BBAHC, others are associated with the Anchorage-based Southcentral Foundation. What is written in this paragraph is not correct.

- Section 3.3.1.3 – Water Sewer and Solid Waste. From the September 7<sup>th</sup> letter:

Please detail all of the villages in the region, and the type of water, sewer, and solid waste for each one. The seven villages in the list in this section is helpful, but a complete table would be useful (possibly no need to include Kenai).

We still believe this is appropriate.

- Table 3.3-2 Population Projections. A sentence or too that indicates the assumptions for these population projections would be helpful. They seem a projection of status quo trends, but we cannot tell.
- Section 3.3.2.2. Economy and Income. The section asserts that Levelock had the lowest median household income. We note that Levelock is statistically indistinguishable from Igiugig, Kokhanok, Newhalen, Nondalton, Ekwok, Koiganek, Pedro Bay, or New Stuyahok. In fact, the only two villages it is statistically distinguishable from is Iliamna and Port Alsworth. Also, Pedro Bay’s unemployment rate of 0.0% with a margin of error of 72.5% seems like it needs to be changed to “unknown.” If for some reason that is impossible, it should be discussed in a footnote.

- Table 3.3-4 needs some explaining. First you, you note that federal government is not included in the table but is less than 5%. That is likely accurate except in Port Alsworth where the National Park Service presence is a significant percent of the employment, especially in the summer. The table also excludes self-employment which means that commercial fishermen – permit holders and crew – are excluded. This is probably a noticeable distortion, given that 229 individuals from the Borough had crew licenses and 104 permit holders fished. Many of these individuals overlap the Employed Workers in the table, but excluding potentially 334 individuals seems like something is missing both for the Borough total and for individual villages.

The second column is also misleading. Local government statistics include the school district. But someone reading the report would erroneously conclude that the otherwise unexplained “Education and Health Services” includes the local school employment. The local government category also includes tribal government. Within the Borough, government-owned utilities, whether owned by the city or the tribe are also included in local government, rather than in the “Trade, Transportation and Utilities.” Finally, the local government numbers seem so high, that some discussion is required to make sense of them. According to the table 64% of the 792 employed workers (excluding fishermen and federal government) work in local government. That means that over 500 people are work in local government. The Borough has a staff of five, only one of which lives in the Borough; the school district does not employ anywhere near those numbers, and Tribal government cannot account for the difference. The only conclusion (which we are unsure of, and so should be checked), is that anyone who worked for a single day during the year is counted in those statistics. If that is true, you should determine whether the employed workers numbers are average year-round employment, anyone who worked for a single day, or something else. What you find should be explained so that the numbers are interpreted correctly.

We believe there that showing the percentage of local government is important. A more effective method of doing that is to show the employers in each village. That information is provided in the McDowell Report. See for example, Table 88 for Kokhanok, page 50.

- Table 3.3-5. Something in this table does not make sense. It is incorrect to proclaim that more than two-thirds the houses in the borough are vacant. Declining population and disrepair does not explain it. This table must be measuring something else. It likely represents the healthy seasonal fishing and guiding economy in the region. Many set-net sites on the coast have a cabin occupied only during fishing season. In addition, there are recreation cabins and lodges, with many individual cabins occupied only during hunting and fishing season. To confirm this conclusion, we looked up the Census Bureau information for Egegik, which has a healthy set-net district. The census information for that city shows 254 unoccupied units and only 22 occupied units. That is almost certainly the set-net district. Similarly, Port Alsworth has a healthy economy with rapidly increasing population. The table indicates that almost half of the units are vacant. That is just not accurate. It may reflect the Bible Camp with buildings not occupied during the winter, or lodges with cabins that are also vacant during the winter. These conclusions are very different from the depression-level implications of the table. The four-word phrase in the introduction, “seasonal use of housing” is not adequate to explain the table. The table implies is a large amount of vacant, probably rotting housing. That may or may not be true for some villages. But in other areas the table may actually measure a seasonal economy with commerce-related units that are vacant in the off-season. One fact which lead us in this direction is that ACS surveys are typically done in April and late fall which is before and after the commercial fishing and tourism season.

We recommend that the Corps understand and explain the meaning of the data in the table, or perhaps better: delete it. It does not portray accurate information as currently explained.

**Table 3.3-7.** Education. Some of the information from the September 7<sup>th</sup> letter is still accurate. It read, in part:

As noted previously, historic enrollment or trends in enrollment should be included in the data. Data for the [last two] columns should be reviewed to ensure they do not suffer from the margin-of-error problem associated with ACS and previously discussed. Further, the table should be expanded to include graduation rates. Because of the small size of the schools, we recommend that an average of multiple years should be provided. Further, while many of the socioeconomic effects are limited to the communities near the project site, population changes and school enrollment in all villages of the Borough may be affected. Therefore, please expand this table to include all villages with the Lake and Peninsula Borough.

These comments are still appropriate. With respect to the margin-of-error problem. Igiugig is reported as having 12% Bachelor's Degree or higher. While from personal knowledge, we expect this is possibly an underestimate, we note that the census data indicates that the figure is 12% +/- 11%. It shows the potential confusion with leaving high margin-of-errors out of the table.

Thank you for the opportunity to comment on the section. We look forward to reviewing other drafts of this and other parts of the EIS.

Sincerely,

/ S /

Nathan Hill  
Manager

cc: Lake and Peninsula Borough Assembly and Planning Commission  
Bill Craig, AECOM