



## MEMORANDUM

**TO:** House Resource Committee Members

**FROM:** Gene Therriault  
Alaska Industrial Development & Export Authority

**DATE:** April 12, 2018

**RE:** Response to April 7, 2018 House Resource Committee Hearing Questions

AIDEA receives minimum annual toll fees for the use of the DeLong Mountain Transportation System (DMTS) by Teck Alaska, Inc. (TAK) in support of the Red Dog zinc and lead mine. In addition to the minimum toll fees, AIDEA may also receive tonnage sensitive payments (released from a reserve fund) and price sensitive payments. The DMTS went into service in 1990 and expanded in 1997.

The agreement between AIDEA and TAK provides for capital cost repayment, through a toll fee structure based on an interest rate of 6.5% on the net investment base. The return of 6.5% is included in the calculation of the dividend AIDEA pays to the State annually. All DMTS payments retained by AIDEA's Revolving Fund are available to promote AIDEA's mission of economic development and job creation. Toll fees for the DMTS will remain in effect through the end of the term of the agreement (2040). However, a minimum annual assessment is due regardless of toll fees and mine operations.

### Questions from the April 7, 2018 House Resource Committee Hearing:

**Question:** What was the total cost to construct the DMTS?

**Answer:** AIDEA's financing of the DMTS (original project and expansion) totaled approximately \$265 million. The full system includes:

- A 52-mile, 30-foot-all-weather gravel industrial haul road from the mine to the port facility
- A shallow water dock to receive supplies, fuel, equipment, and personnel
- An offshore conveyor system to load ore concentrate to lightering vessels that can convey the concentrate to larger ships further offshore
- A fuel distribution facility including 6 bulk tanks capable of storing approximately 15 million gallons of fuel for port and mine use
- Storage facilities, including 2 buildings with approximately 1.2 million tons of ore storage capacity
- On-site power, other utilities and residential quarters for up to 96 workers

**Question:** How much does AIDEA get from use of the DMTS annually?

**Answer:** Minimum annual receipts to AIDEA total approximately \$17.7 million. AIDEA received approximately \$24 million from the DMTS in FY17, including approximately \$6.3 million in price and tonnage sensitive (released from a reserve fund) payments. These payments include repayment of the construction costs for the DMTS and the 6.5% rate of return on investment.

**Question:** How much funding has been provided for the Ambler Road EIS process and what is the status of expenditures?

**Answer:** Funding for the Ambler Road EIS process was provided by the Legislature in the 2013 to 2015 timeframe. A total of \$17,000,000 was appropriated to AIDEA for the permitting effort of which just over \$13,000,000 has been expended or obligated. AIDEA is currently using \$1,200,000 of the previous appropriation to advance the project through the scoping process being managed by BLM. Based on the outcome of the scoping process, the administration may approve continued work with BLM as they prepare a final Record of Decision. The total cost for permitting to a final Record of Decision is unknown since additional field work **may** be required by federal agencies.