

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

April 27, 2005

1:33 p.m.

**MEMBERS PRESENT**

Senator Gary Stevens, Chair  
Senator Bert Stedman  
Senator Thomas Wagoner  
Senator Johnny Ellis  
Senator Albert Kookesh

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

CS FOR HOUSE BILL NO. 121(2d RLS)

"An Act relating to consolidating or abolishing certain road service areas in certain second class boroughs; and providing for an effective date."

MOVED CSHB 121(2d RLS) OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 27(FIN)

"An Act relating to an optional exemption from municipal property taxes on certain residences of law enforcement officers."

HEARD AND HELD

SENATE BILL NO. 188

"An Act increasing the maximum amount of loans from the bulk fuel revolving loan fund to one borrower."

MOVED CSSB 188(CRA) OUT OF COMMITTEE

SENATE BILL NO. 179

"An Act relating to the taxation of mining property; relating to contracts approved by municipalities for payments in lieu of taxes; and providing for an effective date."

HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 121

SHORT TITLE: ROAD SERVICE AREAS: SECOND CLASS BOROUGHES

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

02/02/05 (H) READ THE FIRST TIME - REFERRALS  
02/02/05 (H) CRA, STA  
02/15/05 (H) CRA AT 8:00 AM CAPITOL 124  
02/15/05 (H) Heard & Held  
02/15/05 (H) MINUTE(CRA)  
02/24/05 (H) CRA RPT CS(CRA) NT 1DP 5NR  
02/24/05 (H) DP: THOMAS;  
02/24/05 (H) NR: CISSNA, NEUMAN, SALMON, LEDOUX,  
OLSON  
02/24/05 (H) CRA AT 8:00 AM CAPITOL 124  
02/24/05 (H) Moved CSHB 121(CRA) Out of Committee  
02/24/05 (H) MINUTE(CRA)  
03/01/05 (H) STA AT 8:00 AM CAPITOL 106  
03/01/05 (H) Heard & Held  
03/01/05 (H) MINUTE(STA)  
03/05/05 (H) STA AT 9:30 AM CAPITOL 106  
03/05/05 (H) Moved CSHB 121(CRA) Out of Committee  
03/05/05 (H) MINUTE(STA)  
03/07/05 (H) STA RPT CS(CRA) NT 4DP 1NR  
03/07/05 (H) DP: LYNN, RAMRAS, GRUENBERG, SEATON;  
03/07/05 (H) NR: GATTO  
03/16/05 (H) RLS AT 9:00 AM BELTZ 211  
03/16/05 (H) Moved CSHB 121(RLS) Out of Committee  
03/16/05 (H) MINUTE(RLS)  
03/17/05 (H) RLS RPT CS(RLS) NT 4NR 2AM  
03/17/05 (H) NR: HARRIS, KOHRING, COGHILL, ROKEBERG;  
03/17/05 (H) AM: KERTTULA, BERKOWITZ  
03/17/05 (H) RETURNED TO RLS COMMITTEE  
04/04/05 (H) RLS AT 9:30 AM FAHRENKAMP 203  
04/04/05 (H) -- Meeting Canceled --  
04/13/05 (H) RLS AT 8:30 AM CAPITOL 106  
04/13/05 (H) Heard & Held  
04/13/05 (H) MINUTE(RLS)  
04/20/05 (H) RLS AT 8:30 AM CAPITOL 106  
04/20/05 (H) Moved CSHB 121(2d RLS) Out of Committee  
04/20/05 (H) MINUTE(RLS)  
04/21/05 (H) RLS RPT CS(2D RLS) NT 1DP 5NR  
04/21/05 (H) DP: COGHILL;  
04/21/05 (H) NR: KOHRING, BERKOWITZ, MCGUIRE,  
KERTTULA, ROKEBERG  
04/21/05 (H) RETURNED TO RLS COMMITTEE  
04/22/05 (H) TRANSMITTED TO (S)  
04/22/05 (H) VERSION: CSHB 121(2D RLS)

04/25/05 (S) READ THE FIRST TIME - REFERRALS  
04/25/05 (S) CRA  
04/27/05 (S) CRA AT 1:30 PM BELTZ 211

BILL: HB 27

SHORT TITLE: MUNI PROP TAX EXEMPTION FOR POLICE HOMES  
SPONSOR(S): REPRESENTATIVE(S) CHENAULT, GRUENBERG

01/10/05 (H) PREFILE RELEASED 12/30/04  
01/10/05 (H) READ THE FIRST TIME - REFERRALS  
01/10/05 (H) CRA, FIN  
02/15/05 (H) CRA AT 8:00 AM CAPITOL 124  
02/15/05 (H) Heard & Held  
02/15/05 (H) MINUTE(CRA)  
03/22/05 (H) CRA RPT CS(CRA) 4DP 3NR  
03/22/05 (H) DP: KOTT, CISSNA, THOMAS, OLSON;  
03/22/05 (H) NR: SALMON, LEDOUX, NEUMAN  
03/22/05 (H) CRA AT 8:00 AM CAPITOL 124  
03/22/05 (H) Moved CSHB 27(CRA) Out of Committee  
03/22/05 (H) MINUTE(CRA)  
04/13/05 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
04/13/05 (H) Scheduled But Not Heard  
04/14/05 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
04/14/05 (H) Moved CSHB 27(FIN) Out of Committee  
04/14/05 (H) MINUTE(FIN)  
04/15/05 (H) FIN RPT CS(FIN) 3DP 4NR  
04/15/05 (H) DP: CROFT, FOSTER, CHENAULT;  
04/15/05 (H) NR: HAWKER, STOLTZE, KELLY, MEYER  
04/18/05 (H) TRANSMITTED TO (S)  
04/18/05 (H) VERSION: CSHB 27(FIN)  
04/19/05 (S) READ THE FIRST TIME - REFERRALS  
04/19/05 (S) CRA, FIN  
04/27/05 (S) CRA AT 1:30 PM BELTZ 211

BILL: SB 188

SHORT TITLE: BULK FUEL REVOLVING LOAN FUND CAP  
SPONSOR(S): SENATOR(S) OLSON

04/22/05 (S) READ THE FIRST TIME - REFERRALS  
04/22/05 (S) CRA, FIN  
04/27/05 (S) CRA AT 1:30 PM BELTZ 211

BILL: SB 179

SHORT TITLE: MINERALS TAX/PAYMENTS TO MUNIS IN LIEU  
SPONSOR(S): SENATOR(S) THERRIAULT

04/18/05 (S) READ THE FIRST TIME - REFERRALS

04/18/05 (S) CRA, FIN  
04/18/05 (S) CRA AT 2:00 PM BELTZ 211  
04/18/05 (S) Heard & Held  
04/18/05 (S) MINUTE(CRA)  
04/22/05 (S) CRA AT 1:30 PM BELTZ 211  
04/22/05 (S) Heard & Held  
04/22/05 (S) MINUTE(CRA)

**WITNESS REGISTER**

Kaci Schroeder  
Aide to Representative Bill Thomas, Jr.  
Alaska State Capitol  
Juneau, AK 99801-1182  
**POSITION STATEMENT:** Introduced HB 121

Representative Max Gruenberg  
Alaska State Capitol  
Juneau, AK 99801-1182  
**POSITION STATEMENT:** Sponsor HB 27

Steve Van Sant, State Assessor  
Department of Commerce, Community & Economic Development  
PO Box 110800  
Juneau, AK 99811-0800  
**POSITION STATEMENT:** Available for questions on HB 27

Chief Walt Monegan  
Municipality of Anchorage  
Anchorage Police Department  
P.O. Box 196650  
Anchorage, AK 99519  
**POSITION STATEMENT:** Supported HB 27

Sergeant Mike Couturier, Representative  
Anchorage Police Department  
Employee Association (APDEA)  
**POSITION STATEMENT:** Supported HB 27

Senator Donald Olson  
Alaska State Capitol  
Juneau, AK 99801-1182  
**POSITION STATEMENT:** Sponsor SB 188

Nels Anderson  
Dillingham resident  
**POSITION STATEMENT:** Spoke in support of CSSB 188

Jim McMillan, Deputy Director, Credit & Business Development  
Alaska Industrial Development and  
Export Authority and Alaska Energy  
Authority (AIDEA) and Alaska Energy Authority (AEA)  
813 W Northern Lights Blvd.  
Anchorage, AK 99503  
**POSITION STATEMENT:** Supported SB 188

James Fueg  
Technical and Permitting Coordinator for Donlin Creek  
Placer Dome Mining Company  
**POSITION STATEMENT:** Gave a presentation on Donlin Creek Project

#### **ACTION NARRATIVE**

**CHAIR GARY STEVENS** called the Senate Community and Regional Affairs Standing Committee meeting to order at [1:33:35 PM](#). Present were Senators Stedman, Ellis and Chair Gary Stevens. Senator Kookesh arrived at 1:33:55 and Senator Wagoner arrived during the course of the meeting.

#### **CSHB 121(2d RLS)-ROAD SERVICE AREAS: SECOND CLASS BOROUGH**

CHAIR GARY STEVENS announced HB 121 to be up for consideration. He advised that it is the companion bill to SB 114, which the committee heard three times previously.

[1:33:55 PM](#)

KACI SCHROEDER, Legislative Aide to Representative Bill Thomas, Jr., said she was aware that the committee was familiar with the bill, but she would highlight the changes made in the House.

The House added three required criteria before a borough assembly may take action to abolish or consolidate a service area.

- Taxes haven't been levied for 12 months and there is no balance in the account to pay for road services
- The road service area board has not met with a quorum in the last 12 months
- No road maintenance contracts are in existence or if they are, they fail to provide minimum road standards to protect the borough from civil liabilities.

[1:35:35 PM](#)

CHAIR GARY STEVENS ascertained there were no questions or comments. He noted the zero fiscal note from the Department of Commerce, Community and Economic Development (DCCED) then asked for a motion.

[1:36:07 PM](#)

SENATOR STEDMAN motioned to report CSHB 121(2d RLS) and attached fiscal note from committee with individual recommendations. There being no objection, it was so ordered.

**CSHB 27(FIN)-MUNI PROP TAX EXEMPTION FOR POLICE HOMES**

CHAIR GARY STEVENS announced HB 27 to be the next order of business.

[1:36:57 PM](#)

REPRESENTATIVE GRUENBERG, Co-Sponsor, said the purpose of HB 27 is to encourage law enforcement officers to purchase and live in homes in certain areas of a municipality that are in need of more police protection.

The bill gives municipalities the option to enact an ordinance to exempt up to \$150,000 of assessed valuation on a primary permanent residence of a law enforcement officer who lives in an area the municipality recognizes as high crime. He clarified that municipalities may not enact such an ordinance without passing this type of legislation.

REPRESENTATIVE GRUENBERG defined an eligible area as "either a weed and seed program, a renaissance or, alternatively as an area that has a higher occurrence of crime than a municipality as a whole. Or it could meet both A and B."

He said co-sponsor, Representative Chenault believes this legislation would be helpful in Nikiski and he believes it would be helpful in parts of Anchorage.

[1:39:08 PM](#)

CHAIR GARY STEVENS asked if it's true that this isn't an obligation; it's an opportunity for a municipality.

REPRESENTATIVE GRUENBERG agreed.

SENATOR BERT STEDMAN questioned why this couldn't be handled at a local level.

REPRESENTATIVE GRUENBERG replied it can, but under AS 29.45.050 an enabling state law is required.

SENATOR STEDMAN asked if there is a reason that firefighters aren't included.

REPRESENTATIVE GRUENBERG replied that would be a good idea. Currently volunteer firefighters and EMS personnel have a \$10,000 exemption under another provision.

SENATOR STEDMAN said he was referring to fulltime paid rather than volunteer firefighters.

REPRESENTATIVE GRUENBERG said he wasn't sure it would help as much to have a firefighter on the block as a policeperson, but he wouldn't have a problem with including firefighters if it would help keep crime down.

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SENATOR THOMAS WAGONER asked for an explanation of the statement that two or more individuals are eligible for an exemption on the same property.

REPRESENTATIVE GRUENBERG explained that particular language was taken from the subsection dealing with volunteer firefighters. The idea is that the exempted valuation wouldn't be more than \$300,000 for a single property. This would accommodate the instances in which one law enforcement officer marries another, but wouldn't extend to multiple family members that are in law enforcement or groups of officers going together to buy a single residence.

CHAIR GARY STEVENS asked if this would apply only to actively employed law enforcement officers.

REPRESENTATIVE GRUENBERG said the intent is to cover just the actively employed, but the municipal ordinance would address the particulars.

CHAIR GARY STEVENS noted Mr. Van Sant, the state assessor, was available for questions.

CHIEF WALT MONEGAN, Anchorage Police Department (APD), spoke in support of HB 27. Over the years several different housing incentives have been offered and about 12 APD members have participated. That indicates that the proposal has merit, he said.

He supports the bill because neighborhoods feel safer; neighborhoods get to know the resident officer; officers are reminded that they are citizens in the community; and they provide positive role models for youth. Certainly, the program would aid in officer recruitment and retention. Finally, he said he supports including firefighters in the bill.

[1:49:31 PM](#)

SENATOR WAGONER questioned whether police officers were aware of the bill.

CHIEF MONEGAN replied some are and the union representatives keep members informed as well.

SENATOR WAGONER asked if he'd gotten any feedback.

CHIEF MONEGAN replied officers are waiting to see whether the program becomes available.

SENATOR JOHNNY ELLIS stated support for the bill and said he represented some of the low-income high-crime areas in Anchorage and he knows that if cops make a decent salary and live in more affluent neighborhoods it fosters bad feelings. Hopefully this will encourage folks that could afford to live in better areas to move into less affluent areas because that would help to improve those neighborhoods.

CHIEF MONEGAN said when neighborhoods benefit there is an operational benefit for the department in that crime goes down. It's a plus to see neighborhoods change complexion for the better, he said.

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SERGEANT MIKE COUTURIER, Representative, Anchorage Police Department Employee Association (APDEA), stated that the association supports HB 27. His job includes recruitment and retention and this will be a distinct aid in attracting applicants. More than likely, he said, the primary use will come from officers that are attracted from out of state. The

association has the information on its web site and members have already shown interest in the idea.

CHAIR GARY STEVENS recapped this would be at the option of the local government and it could exempt city police departments and state troopers. He asked if that was Sergeant Couturier's understanding.

SERGEANT COUTURIER said yes.

CHAIR GARY STEVENS observed that the comments had been positive. He was asked to hold the bill to review several issues, but it would be dealt with quickly at the next hearing. CSHB 27(FIN) was held in committee.

### SB 188-BULK FUEL REVOLVING LOAN FUND CAP

[1:58:23 PM](#)

SENATOR DONALD OLSON, Sponsor, paraphrased the sponsor statement:

I introduced SB 188 at the urging of members of the Governor's Rural Energy Action Council. The council's April 15 report has many recommendations to help rural communities contend with rapidly escalating energy costs.

SB 188 is one of their recommendations that, if enacted this session, will allow communities to offset rising fuel costs with large purchase economies achieved through the bulk fuel loan program. This is particularly of concern for those communities that are ice bound during the winter and depend on just one or two large shipments to supply their fuel needs for the entire year.

Currently, the bulk fuel loan program has a maximum loan of \$300,000 that any one borrower may take in a fiscal year. The effect of this cap during times of high fuel prices is to reduce the maximum amount of fuel that may be purchased. The bill will counteract this effect by increasing the cap to \$650,000 for cooperative organizations that are purchasing bulk fuel for more than one community. The larger purchase for multiple communities should result in a lower per unit price for all users.

The enactment of SB 188 will directly affect this fall's bulk fuel purchase for most of rural Alaska. The bill is timely and needed.

[2:01:39 PM](#)

CHAIR GARY STEVENS asked for a motion to adopt the CS.

SENATOR WAGONER motioned to adopt CSSB 188 \F version as the working document. There being no objection, it was so ordered.

SENATOR OLSON explained there are two significant changes from the original bill.

1. It includes electric utility cooperatives as a cooperative corporation that may use the loan fund for multiple community fuel purchases.
2. It provides a more flexible loan cap increase for multiple community fuel purchases - "may not exceed \$300,000 multiplied by the number of communities on whose behalf the bulk fuel is to be purchased, or \$1,000,000, whichever is greater;"

[2:03:49 PM](#)

SENATOR BERT STEDMAN asked if the CS is applicable to communities with good credit.

SENATOR OLSON replied that's true; communities that place high regard on bill paying and good credit should be rewarded and should be able to get needed fuel. Without this cap communities will run short of fuel during the winter and it would need to be flown in, which would boost fuel costs dramatically. He said it's imperative to give communities the benefit of the doubt so they won't run short during the winter.

NELS ANDERSON, Dillingham resident, testified that the bill would help cooperative purchasing, which is a goal REAC has established. Legislation that helps to bring down the cost of fuel for small communities across the state is good legislation. He encouraged members to support CSSB 188.

[2:07:18 PM](#)

JIM MCMILLAN, Deputy Director of Credit & Business Development, Alaska Industrial Development and Export Authority and Alaska

Energy (AIDEA) and Alaska Energy Association (AEA), stated support for SB 188. Forming cooperatives may help reduce the cost of bulk fuel purchases for rural communities. The change will allow a borrower that is a cooperative formed under AS 10.15 or an electric cooperative organized under AS 10.25 to borrow more than the current \$300,000 limit. This is a step in the right direction, he said.

CHAIR GARY STEVENS noted there were no questions or further testimony. He asked for a motion.

SENATOR WAGONER motioned to report CSSB 188(CRA), \F version, and attached fiscal notes from committee with individual recommendations. There being no objection, it was so ordered.

### **SB 179-MINERALS TAX/PAYMENTS TO MUNIS IN LIEU**

CHAIR GARY STEVENS announced the committee would hear a Donlin Creek Project update that relates to SB 179.

JAMES FUEG, Technical and Permitting Coordinator for the Donlin Creek joint venture, gave a review of the Placer Dome mining company and an overview of the project. He said he would touch on the highlights of a larger presentation.

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Project Location

The Donlin Creek project is located about 12 miles north of the village of Crooked Creek and 180 miles up the Kuskokwim River from Bethel. The location is remote and all materials are supplied by air transportation. If the mine goes forward, all supplies for construction would be barged up river to a point about five miles from the mine. The company would construct a road to transport goods the final five miles to the mine site.

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Donlin Creek Joint Venture

- Placer Dome Managing Joint Venture Partner
- Nova Gold Resources Joint Venture Partner
- Calista Regional Corporation is the subsurface estate owner

- The Kuskokwim Corporation - the regional village corporation - owns the surface estate

Placer Dome has been in the area for ten years and has a strong local hire history. Currently 50-70 people are on site, but the number varies depending on what's going on. Typically 65-80 percent of the people in the camp are from the local area. A lot of professional staff comes from Alaska and a local charter company transports personnel to and from the site.

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Current Resource Estimate:

Work began in 1995 and expenditures to date are on the order of \$58 million. Of that, Placer Dome has spent about \$45 million and Nova Gold Resources has spent about \$10 million. The budget for 2005 is about \$11.5 million. The payroll directed to shareholders in the area for the Month of March was about \$180,000.

In spite of the amount of time and money already spent the company is still several years and millions of dollars from making a final determination on whether or not to go ahead with the project.

As it stands now the total resource amounts to about 25 million ounces of gold of which 11 million ounces is measured and indicated and 14 million ounces is inferred. Measured and indicated is a reflection of the measure of confidence that is needed to be able to do a pre-feasibility study. Not all of the 25 million ounces will necessarily be mined. The decision is driven by economics that will evolve as the studies advance and as the mine advances - if indeed it does goes forward.

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Primary Issues:

There are three major issues upon which the project rests and they are power, lime and logistics.

- Power: About 80 megawatts will be produced on site with diesel generation plants with an anticipated 40 percent wind power offset.

- Lime: A low-grade lime resource has been identified in the region of the deposit and is being drilled out to determine whether it will meet the requirements.

- Logistics: Up to 250,000 tons of consumables per year would be required for operation. It would be barged up the Kuskokwim River to a port location then over to Donlin Creek.

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#### Power - Potential Solution

- Current Plans require 80 MW Peak Load, 70 MW Average Load (30k tons per day mill)
- Evaluated more than 10 options
- On site generation using diesel is current focus
- Potential to supplement with wind generation
  - Wind option requires data collection for validation
  - Objective - offset ~40% of fuel requirement

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#### Logistics and Infrastructure

- Annual consumables (30,000 tons per day mill)
  - General Consumables 50,000 tons
  - Fuel (no wind generation) 140,000 tons
  - Lime (assumes on site CCE) 20,000 tons
- Barge materials up the Kuskokwim River
- Port location at Jungjuk Creek
- All weather road to Donlin Creek
- Construct a new 6,000 foot airstrip near Donlin Creek

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#### Preliminary Process Outline

- Conventional open pit
  - 2 pits (ACMA, Lewis)
- Track and shovel mining
- Evaluating 30,000 and 40,000 tons per day scenarios

- Logistical Supports
- Grade control/dilution issues
- Three stage crushing and primary ball milling
- Flotation/Pressure oxidation mill - This process cooks the refracted ore out of the sulfide in giant pressure cookers, which is why so much power is needed for the operation.
- Conventional tailings

[2:16:54 PM](#)

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#### Infrastructure

If the project moves ahead, approximately 25 miles of road would be constructed from the river to the site. A port and laydown area would be constructed at Jungjuk Creek as well as a 6,000 foot surfaced runway to fly personnel and equipment in and out. The company will build all facilities associated with power generation, including fuel storage and transmission lines, which amounts to a significant part of the project.

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Environmental studies have been ongoing including more than just the project area itself. The entire access corridor up the Kuskokwim River down to the shores of the Kuskokwim Bay must be considered and evaluated to ensure that the project can be done in an environmentally sound manner.

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#### Project Description

- 30,000 to 40,000 ton per day mill operation
- Waste rock and initial tailings deposited in American Valley where the deposit is located. Later tailings may be deposited in Anaconda Valley if the first is filled.
- Supplies barged up Kuskokwim River to port at Jungjuk Creek
- Power provided by onsite diesel supplemented by wind

Based on current estimates, the direct costs of the project are in the neighborhood of \$1 billion. That is the cost of purchasing equipment, constructing buildings, building infrastructure. It doesn't include construction overhead so the total cost will be significantly more than \$1 billion.

This is a large project with large scope and he speculated that if the project goes ahead, it would be the biggest private industry project in Alaska after the pipeline. This is in an area that would stand to benefit tremendously from the project.

Because of the remote location and the difficult nature of the entire process, the capital investment would be huge. Therefore a sound understanding of the process, and a well defined economic model is necessary so the board can make a final determination and get financing for the project.

Currently, one of the biggest unknowns in the economic model is the element of local taxation. This is why SB 179 is so important to Donlin Creek and any similar projects in the future.

MR. FUEG concluded:

It's not an issue of us wanting to bypass the local community. We recognize the concerns about imposing agreements on local communities and we certainly respect and share your concern about all these issues. What we are doing, is asking for some mechanism that we can use to negotiate and develop a tax certainty that we're going to need to move this project forward.

CHAIR GARY STEVENS asked how many personnel are required now and during full operation.

MR. FUEG replied during the summer between 40 and 60 people would be employed on any given day. During construction the estimate is for about 600 people for about two years. Depending on final size, between 350 and 400 people would be employed during operation.

CHAIR GARY STEVENS asked what happens to the ore when it leaves the site.

MR. FUEG clarified this is strictly a gold mine. Gold bars would be molded on-site and the finished product would be flown out.

[2:22:12 PM](#)

SENATOR STEDMAN asked where the crew would come from.

MR. FUEG replied the company would hire locally to the extent possible and transportation would be similar to what's done at the Red Dog. Flights would go to and from Anchorage and smaller charter aircraft would provide transportation to and from the various local villages. The rotation would likely be two weeks on and two weeks off. The mine would run 24 hours a day 365 days a year.

SENATOR STEDMAN asked about reclamation.

MR. FUEG said a reclamation plan is in progress. Although they can't leave things the way they were before mining began, they don't intend to leave issues behind once the mine has moved on.

SENATOR STEDMAN asked for the estimated lifespan of the mine once it's operational.

MR. FUEG replied it depends on the mill size that is settled on and the percentage of the reserves that can actually be mined. The number they are using currently is 15 years, but it's worth noting that mines typically run longer than the original estimated life.

SENATOR WAGONER noted the concern associated with capping the millage rate and whether 6 mills would be sufficient if the area were to incorporate.

MR. FUEG said he could only speak to Donlin Creek as a Placer Dome representative. That being said, \$1 billion in direct capital cost translates to \$1 million per mill. That would give the newly organized, rural, government a \$2 million operating budget. Assuming the area goes with the model borough, the Kuspuk School District has about 1,500 people. Looking at other rural boroughs in the state, that amount is more than in line with the typical budgets.

SENATOR WAGONER remarked corporate and other taxes would amount to another 9 or 10 percent.

MR. FUEG said in addition to corporate and mining license taxes there is a royalty component that would go to Calista Corporation.

CHAIR GARY STEVENS asked for some background information on the company.

MR. FUEG explained that Placer Dome is an international mining company headquartered in Vancouver, Canada. Currently the company employs 18,000 people in mines that are scattered from Africa, Indonesia, and Australia to North and South America. The company operates several mines in Nevada and one in Montana. Donlin Creek would be the only mine in Alaska.

Placer Dome has a history of building mines in undeveloped areas such as Donlin Creek. The mine in Indonesia and the Mussel White Mine in northern Canada are probably the most similar to Donlin Creek and are located in completely undeveloped areas.

Placer Dome has a history of working successfully with Native people in remote mine areas and a philosophical cornerstone of doing business is their sustainability policy. They look at what would be left behind and what the long-term benefits would be to the community. They recognize that mining isn't a renewable resource so it's a corporate policy requirement to leave behind something positive. Typically that takes the form of a more skilled and more highly educated workforce.

Placer Dome produces about 4 million ounces of gold a year plus several hundred thousand tons of copper. Currently they have three large projects at a similar stage of development as Donlin Creek. One is in Chili, one is in the Dominican Republic and the third is Donlin Creek.

[2:30:37 PM](#)

CHAIR GARY STEVENS questioned how far the mine site is from Bethel.

MR FUEG replied it's about 180 miles away. The closest community of any size is Aniak and the closest town is Crooked Creek, which is 12 miles south.

[2:31:10 PM](#)

SENATOR WAGONER asked if he thought the mill rate is excessive.

MR. FUEG said the company was hoping for something a little lower and they are still evaluating the effect. Certainly it is a burden to the project, but they recognize their responsibility to the local community. As a company they've taken a neutral

position on borough formation in the area. They want to meet their commitment in terms of education and if a borough forms they would like to contribute their fair share to the operating costs of the borough while recognizing that they would draw no services.

SB 179.was held in committee.

[2:32:34 PM](#)

There being no further business to come before the committee, Chair Gary Stevens adjourned the meeting at [2:32:44 PM](#).