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**COMMITTEE REPORT**  
**SENATE**

3/3/82

FURTHER: Finance

Date: 3/29/82

Mr. President:

The Committee on RESOURCES has had SB 840

*making a special appropriation for payment as a grant to the City of Cordova for a feasibility study of the Bering River coal field port and transportation system*

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass                                         do not pass
- do pass with attached amendments(s)
- replace with CS for \_\_\_\_\_  same title  
    new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"     New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

*Bob Mackenzie*  
\_\_\_\_\_

*Bob Mackenzie*  
\_\_\_\_\_

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\_\_\_\_\_

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MEMBERS HAVING  
OTHER RECOMMENDATIONS:

*John J. ...*  
\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

*Arthur ...*  
\_\_\_\_\_

**CHAIRMAN**

IDENTIFICATION:

BILL NAME: "An Act making a special appropriation for payment as a grant to the City of Cordova for a feasibility study of the Bering River coal field port and transportation system; and providing for an effective date."

SPONSOR(S): Resources

RELATED BILLS PENDING: HB 804

DATE INTRODUCED: 3/2/82

REFERRALS Resources  
Finance

INITIAL RESEARCH:

INITIAL BILL SUMMARY COMPLETED ✓

SUMMARY BY LEGAL DIVISION:  
DEPT. OF LAW SUMMARY:

SPONSOR CONTACTED FOR BACKUP MATERIALS:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS AND/OR GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE

BACKGROUND MATERIAL DISTRIBUTED

PSA/PRESS RELEASE

LIST OF WITNESSES: Coal Proppes - Chugach Nativex  
276-1080 13.26

SUGGESTED AMENDMENTS/CS DRAFTED:

6-1305 Mark Whitton DVR 13.26  
Municipal League - Ginny Chitwood 13.26

SEARCH - QUERY  
00001 '37.05.3'

~~SB 830 incorporates these new provisions.~~  
SB 840

CH004 DOCUMENT= 1 OF 3  
CHAPTER NUMBER  
CH004  
SPECIAL INFO  
CHAPTER 4

SOURCE: SB 559 AM  
VETO OVERRIDDEN: JANUARY 15, 1982  
ACTUAL EFFECTIVE DATE: JANUARY 16, 1982

RELATING TO

AN ACT  
RELATING TO STATE GRANTS; AND PROVIDING FOR AN EFFECTIVE DATE.

TEXT

\* SECTION 1. AS 37.05.315 IS REPEALED AND REENACTED TO READ:  
SEC. 37.05.315. GRANTS TO MUNICIPALITIES. (A) WHEN AN AMOUNT IS APPROPRIATED OR ALLOCATED AS A GRANT TO A MUNICIPALITY, THE DEPARTMENT OF ADMINISTRATION SHALL PROMPTLY NOTIFY THE MUNICIPALITY OF THE AVAILABILITY OF THE GRANT. WHEN THE DEPARTMENT OF ADMINISTRATION RECEIVES AN AGREEMENT EXECUTED BY THE MUNICIPALITY WHICH PROVIDES THAT THE MUNICIPALITY (1) WILL SPEND THE GRANT FOR THE PURPOSES SPECIFIED IN THE APPROPRIATION OR ALLOCATION; (2) WILL ALLOW, ON REQUEST, AN AUDIT BY THE STATE OF THE USES MADE OF THE GRANT; AND (3) ASSURES THAT, TO THE EXTENT CONSISTENT WITH THE PURPOSE OF THE APPROPRIATION OR ALLOCATION, THE FACILITIES AND SERVICES PROVIDED WITH THE GRANT WILL BE AVAILABLE FOR THE USE OF THE GENERAL PUBLIC, THE DEPARTMENT OF ADMINISTRATION SHALL PAY THE GRANT DIRECTLY TO THE MUNICIPALITY. THE AGREEMENT EXECUTED BY A MUNICIPALITY UNDER THIS SECTION SHALL BE ON A FORM FURNISHED BY THE DEPARTMENT OF ADMINISTRATION AND SHALL BE EXECUTED WITHIN 60 DAYS AFTER THE EFFECTIVE DATE OF THE APPROPRIATION OR ALLOCATION.

(B) AN APPROPRIATION OR ALLOCATION FOR A GRANT TO A MUNICIPALITY FOR CONSTRUCTION OF A PUBLIC FACILITY LAPSES IF SUBSTANTIAL, ONGOING WORK ON THE PROJECT HAS NOT BEGUN WITHIN FIVE YEARS AFTER THE EFFECTIVE DATE OF THE APPROPRIATION OR ALLOCATION.

(C) IN ACCEPTING A GRANT OF MONEY FOR CONSTRUCTION OF A PUBLIC FACILITY, A MUNICIPALITY COVENANTS WITH THE STATE THAT IT WILL OPERATE AND MAINTAIN THE FACILITY FOR THE PRACTICAL LIFE OF THE FACILITY AND THAT THE MUNICIPALITY WILL NOT LOOK TO THE STATE TO OPERATE OR MAINTAIN THE FACILITY OR PAY FOR ITS OPERATION OR MAINTENANCE. THIS REQUIREMENT DOES NOT APPLY TO A GRANT OF MONEY FOR REPAIR OR IMPROVEMENT OF AN EXISTING FACILITY OPERATED OR MAINTAINED BY THE STATE AT THE TIME THE GRANT IS ACCEPTED IF THE REPAIR OR IMPROVEMENT FOR WHICH THE GRANT IS MADE WILL NOT SUBSTANTIALLY INCREASE THE OPERATING OR MAINTENANCE COSTS TO THE STATE.

(D) NOT LESS THAN 20 PERCENT OF A GRANT SHALL BE PAID TO A MUNICIPALITY WITHIN 10 DAYS OF THE EFFECTIVE DATE OF THE AGREEMENT UNDER (A) OF THIS SECTION. THE REMAINDER OF THE GRANT SHALL BE PAID EITHER IN MONTHLY INSTALLMENTS EQUAL TO THE AMOUNT OF GRANT MONEY THE MUNICIPALITY EXPENDED IN THE

PREVIOUS MONTH OR IN A LUMP SUM AS DETERMINED BY THE DEPARTMENT OF ADMINISTRATION.

\* SEC. 2. AS 37.05 IS AMENDED BY ADDING NEW SECTIONS TO READ:

~~SEC. 37.05.216. GRANTS TO NAMED RECIPIENTS.~~ WHEN AN AMOUNT IS APPROPRIATED OR ALLOCATED TO A DEPARTMENT AS A GRANT FOR A NAMED RECIPIENT WHICH IS NOT A MUNICIPALITY, THE DEPARTMENT TO WHICH THE APPROPRIATION OR ALLOCATION IS MADE SHALL PROMPTLY NOTIFY THE NAMED RECIPIENT OF THE AVAILABILITY OF THE GRANT AND REQUEST THE NAMED RECIPIENT TO SUBMIT A PROPOSAL TO PROVIDE THE GOODS OR SERVICES SPECIFIED IN THE APPROPRIATION ACT, OR BOTH, FOR WHICH THE APPROPRIATION OR ALLOCATION IS MADE. AT THE SAME TIME, THE DEPARTMENT MAY ISSUE A REQUEST FOR PROPOSALS FROM OTHER QUALIFIED PERSONS TO PROVIDE THE SAME GOODS OR SERVICES, OR BOTH, IN THE SAME AREA. THE DEPARTMENT SHALL CONTRACT WITH THE NAMED RECIPIENT UNLESS THE OFFICE OF THE GOVERNOR, WITH DUE REGARD FOR ANY LOCAL EXPERTISE OR EXPERIENCE AMONG THOSE MAKING PROPOSALS, DETERMINES THAT AN AWARD OF THE CONTRACT TO A DIFFERENT PARTY WOULD BETTER SERVE THE PUBLIC INTEREST. IF THE CONTRACT IS AWARDED TO ANOTHER PARTY THAN THAT NAMED BY THE LEGISLATURE, THE BASIS OF THAT ACTION SHALL BE STATED IN WRITING AT THE TIME THE GRANT IS ISSUED AND A COPY OF THE WRITTEN STATEMENT SHALL BE SENT TO THE LEGISLATIVE BUDGET AND AUDIT COMMITTEE. A CONTRACT SHALL BE EXECUTED WITHIN 60 DAYS AFTER THE EFFECTIVE DATE OF THE APPROPRIATION OR ALLOCATION. THE PURCHASE OF THE GOODS OR SERVICES, OR BOTH, SHALL BE IN ACCORDANCE WITH AS 37.05.230(1)(C).

~~SEC. 37.05.217. GRANTS TO UNINCORPORATED COMMUNITIES.~~ WHEN AN AMOUNT IS APPROPRIATED OR ALLOCATED AS A GRANT UNDER THIS SECTION TO AN UNINCORPORATED COMMUNITY, IT SHALL BE DISBURSED AS FOLLOWS:

(1) WITHIN 45 DAYS AFTER THE EFFECTIVE DATE OF THE APPROPRIATION OR ALLOCATION, THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS SHALL NOTIFY THE GOVERNING BODY OF THE UNINCORPORATED COMMUNITY, IF ANY, THAT A GRANT IS AVAILABLE.

(2) THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS SHALL DETERMINE IF THERE IS A QUALIFIED INCORPORATED ENTITY IN THE COMMUNITY AREA THAT WILL AGREE TO RECEIVE THE GRANT AND ADMINISTER IT, SUBJECT TO TERMS GENERALLY APPLICABLE TO PRIVATE GRANTEEES. IF THERE IS MORE THAN ONE SUCH ENTITY, THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS SHALL SELECT THE MOST QUALIFIED AND THE GRANT SHALL BE AWARDED TO THAT INCORPORATED ENTITY FOR THE PURPOSES SPECIFIED IN THE APPROPRIATION ACT. HOWEVER, THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS SHALL GIVE PREFERENCE TO A NONPROFIT CORPORATION ORGANIZED BY A COMMUNITY FOR RECEIPT OF THE GRANT.

(3) IF THERE IS NO INCORPORATED ENTITY QUALIFIED TO RECEIVE THE GRANT, THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS SHALL ADMINISTER THE PROGRAM AS SPECIFIED IN THE APPROPRIATION ACT DIRECTLY OR THROUGH AGENTS OR CONTRACTORS WITH WHOM IT MAY CONTRACT IN THE COMMUNITY AREA.

EXEMPTION FROM REGULATIONS.

NOTWITHSTANDING THE ADMINISTRATIVE PROCEDURE ACT (AS 11.62), THE FISCAL PROCEDURES ACT (AS 37.05), AND THE EXECUTIVE BUDGET ACT (AS 37.07), A STATE AGENCY MAY NOT ADOPT REGULATIONS OR IMPOSE ADDITIONAL REQUIREMENTS OR PROCEDURES TO IMPLEMENT, INTERPRET, MAKE SPECIFIC, OR OTHERWISE CARRY OUT THE PROVISIONS OF AS 37.05.315 - 37.05.317 UNLESS REQUIRED BY THE FEDERAL GOVERNMENT FOR PARTICIPATION IN FEDERAL PROGRAMS.

~~SEC. 37.05.319.~~ DEFINITIONS. IN AS 37.05.315 - 37.05.317 "PARTICIPATION" AND "ALLOCATION" HAVE THE MEANINGS SET OUT IN AS 37.07.120(4) AND (5).

EFFECTIVE DATE

\* SEC. 3. THIS ACT TAKES EFFECT IMMEDIATELY IN ACCORDANCE WITH AS 01.10.070(C).

CH008 DOCUMENT# 2 OF 3

CHAPTER NUMBER

CH008

SPECIAL INFO



# Alaska State Legislature

## SENATE Resources Committee

POUCH V  
STATE CAPITOL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

### Official Business

BETTYE FAHRENKAMP, Chairman  
VIC FISCHER, Vice-Chairman  
BRAD BRADLEY  
DICK ELIASON  
DON GILMAN  
BOB MULCAHY  
ARLISS STURGULEWSKI

### MEMBERS PRESENT

Senator Fahrenkamp  
Senator Fischer  
Senator Bradley  
Senator Mulcahy  
Senator Sturgulewski

March 29, 1982  
1:35 p.m.

Beltz Room  
211 - Capitol

### Hearing:

- SB 877 Relating to the staff of the Citizens' Advisory Commission on Federal areas in Alaska and providing for an effective date.  
SB 834 Continuing the existence of the Guide Licensing and Control Board.  
SB 840 Making a special appropriation for payment as a grant to the City of Cordova for a feasibility study of the Bering River coal field port and transportation system.

### SB 877

Senator Fahrenkamp stated that SB 877 was necessary to assure that staff employees of the Citizens' Advisory Commission are exempt from the State service.

Senator Mulcahy moved SB 877 with individual recommendations.

### SB 834

Mark Jensen, Chairman, State Guide Board, stated that the Board, consisting of three guides and four public members, was established in 1973. Jensen endorses SB 834, and although he endorses the idea of a review of Board action every few years, he feels that the sunset provision is not in the best interest of the State or the Board, as it creates "unnecessary upheaval."

Senator Sturgulewski referred to the audit report, and its recommendation that several changes be made in the Board's operation.

Jensen feels the Board has covered the major recommendations made in the audit.

Harry Traeger, Director, Division of Occupational Licensing, Department of Commerce and Economic Development, stated that the Code Revision Commission has Title 8 under consideration, and that the Administration will insist changes be made to satisfy the shortcomings outlined in the audit.

Senator Mulcahy moved SB 834 with individual recommendations.

SB 840

Edgar Blatchford, Chairman of the Board, Chugach Natives, Inc., spoke in support of SB 840, stating that the coal in the Bering River area is of high quality, and that the amount of money already invested by Chugach Natives is proof of their commitment to the project. They are requesting a one-time appropriation to study alternative sites for the port, the transportation system, and the financial and economic aspects of the project.

Carl Propes, Director of Lands and Natural Resources, Chugach Natives, Inc., stated that this appropriation is a proper role for the State, as a transportation system would cross State lands, and the port may be sited on State lands. Lack of State funding will probably delay the project at least a year. Carl emphasized that any State appropriation would not be interpreted as a commitment for further funding. He also stated that any funds appropriated will go to the City of Cordova, and the studies will be put out for competitive bid.

Senator Fische expressed concern over how the State could recoup its investment, and brought up the issue of a severance tax.

Phil Holdsworth, COAL, expressed support for SB 840, stating that the Bering River coal field has real potential. He emphasized that coal is a marginal industry in Alaska, and that imposing a severance tax on the gross product may be enough to kill the industry. Coal operators would instead favor a tax based on net income. Holdsworth explained that Bering River had not been developed sooner, because it is a geologically complex area, unlike other coal deposits in Alaska which have thick beds and are strippable. The Bering River coal is of a much higher quality, and has a market in Korea.

Senator Mulcahy moved SB 840 with individual recommendations.

The meeting was adjourned at 2:40 p.m.





# Alaska State Legislature

## SENATE Resources Committee

### Official Business

PETTYE FAHRENKAMP, Chairman  
VIC FISCHER, Vice-Chairman  
BRAD BRADLEY  
DICK ELIASON  
DON GILMAN  
JOB MULCAHY  
ARLISS STURGULEWSKI

POUCH V  
STATE CAPITOL  
JUNEAU, ALASKA 99811  
(907) 465-3834  
(907) 465-3835

TO: Senate Resources Committee  
FROM: Senate Resources Committee Staff  
RE: Committee Hearing, 3/29/82  
DATE: March 26, 1982

-----  
Please find attached background information for Monday's hearing on the following two bills:

- SB 834 Continuing the existence of the Guide Licensing and Control Board.
- SB 840 Special appropriation for payment as a grant to the City of Cordova for a feasibility study of the Bering River coal field port and transportation system.

The hearing will be held at 1:30 p.m. in the Beltz Room.

TESTIMONY  
BY  
CHUGACH NATIVES, INC.  
ON  
HOUSE BILL No. 804  
BEFORE THE  
HOUSE TRANSPORTATION COMMITTEE  
JUNEAU, ALASKA  
MARCH 11, 1982

MADAM CHAIR, MEMBERS OF THE COMMITTEE, LADIES AND GENTLEMEN, MY NAME IS LIONEL L. DRAGE, AND I AM PRESIDENT OF CHUGACH NATIVES, INCORPORATED. CHUGACH IS ONE OF THE TWELVE ALASKA NATIVE REGIONAL CORPORATIONS FORMED UNDER THE ALASKA NATIVE CLAIMS SETTLEMENT ACT. WE SERVE THE AREA OF SOUTHCENTRAL ALASKA, RUNNING FROM THE LOWER COOK INLET AT ENGLISH BAY, EASTWARD TO ICY BAY NEAR YAKUTAT. THE COMMUNITIES OF CORDOVA, SEWARD, VALDEZ AND WHITTIER LIE WITHIN OUR REGIONAL BOUNDARIES, AS DO THE NATIVE VILLAGES OF CHENEGA, EYAK, TATITLEK, ENGLISH BAY AND PORT GRAHAM.

IT IS AN HONOR TO APPEAR BEFORE YOUR COMMITTEE TO DISCUSS THE MERITS OF H.B. 804, ENTITLED "AN ACT MAKING A SPECIAL APPROPRIATION FOR PAYMENT, AS A GRANT TO THE CITY OF CORDOVA, FOR A FEASIBILITY STUDY OF THE BERING RIVER COAL FIELD PORT AND TRANSPORTATION SYSTEM; AND PROVIDING FOR AN EFFECTIVE DATE." WE ARE ESPECIALLY GRATEFUL TO REPRESENTATIVE CATO FOR SPONSORING THIS LEGISLATION. WE EXPECT A SIMILAR, IF NOT AN IDENTICAL BILL, TO BE INTRODUCED SHORTLY ON THE SENATE SIDE UNDER THE SPONSORSHIP OF THE SENATE RESOURCES COMMITTEE.

H.B. 804 PROVIDES FOR A STUDY OF THE INFRASTRUCTURAL REQUIREMENTS OF THE PORT AND TRANSPORTATION SYSTEM FROM THE MINE TO THE PORT AT THE BERING RIVER COAL FIELD. THE PROPOSAL IS DESCRIBED IN MUCH GREATER DETAIL IN THIS PROPOSAL WHICH YOU ALL SHOULD HAVE RECEIVED COPIES OF. THIS PROPOSAL, DATED FEBRUARY OF 1982, WAS PREPARED UNDER OUR DIRECTION BY CH2M HILL, NORTHWEST, INC., IN BELLEVUE, WASHINGTON.

THE BERING RIVER COAL FIELD IS LOCATED SOME SIXTY MILES EAST OF CORNOVA IN THE EASTERN PORTION OF THE COPPER RIVER DELTA. IT WAS INTENSIVELY PROSPECTED BY MANUAL METHODS IN THE EARLY YEARS OF THIS CENTURY, AND, IN FACT, WAS THE LOCATION OF THE MAJORITY OF COAL CLAIMS AND LEASES IN THE ENTIRE STATE OF ALASKA. IN 1907, HOWEVER, IT WAS LOCKED UP IN THE CHUGACH NATIONAL FOREST BY PRESIDENT THEODORE ROOSEVELT, AND HAS NEVER SEEN SUBSTANTIAL PRODUCTION SINCE.

THE QUALITY OF THE COAL IN THE BERING RIVER FIELD IS SOME OF THE HIGHEST IN WESTERN NORTH AMERICA. IT RANGES FROM 12,000 TO 16,000 BTU'S, WITH REASONABLY LOW SULPHUR CONTENTS, AND AVERAGE MOISTURE, ASH AND VOLATILE MATTER. THE FIELD CONTAINS COAL RANGING FROM LIGNITE TO SUB-BITUMINOUS, BITUMINOUS AND ANTHRACITE.

THE HIGH QUALITY RANGE OF THE BERING RIVER COAL ENSURES THAT IT WILL NEVER GO WANTING FOR A MARKET IN THE PACIFIC RIM. NOR WILL IT COMPETE WITH THE LOWER QUALITY STEAM COALS FROM THE BELUGA AND NENANA FIELDS, WHICH MAY THEMSELVES HAVE DIFFICULTY FINDING GUARANTEED, LONG-TERM MARKETS.

CHUGACH NATIVES, INC. WAS FORTUNATE TO BE ABLE TO SELECT ONE-THIRD OF THE BERING RIVER FIELD UNDER THE TERMS OF THE ORIGINAL ALASKA NATIVE CLAIMS SETTLEMENT ACT. THEN, LAST YEAR UNDER THE CHUGACH REGION STUDY WHICH WAS MANDATED BY THE ALASKA NATIONAL INTEREST LANDS CONSERVATION ACT, THE FEDERAL GOVERNMENT AGREED TO CONVEY TO US THE REMAINING TWO-THIRDS OF THE FIELD WHICH IS LOCATED WITHIN THE CHUGACH NATIONAL FOREST. THIS TRANSFER SHOULD TAKE PLACE SHORTLY, ONCE THE REMAINING AREAS OF DISAGREEMENT BETWEEN CHUGACH AND THE FEDERAL GOVERNMENT ARE IRONED OUT.

LAST SPRING, IN LIEU OF OUR LAND SETTLEMENT DIFFICULTIES, CHUGACH SUCCEEDED IN STRUCTURING AN AGREEMENT WITH A CONSORTIUM OF FOUR MAJOR KOREAN COMPANIES FOR THE EXPLORATION, DEVELOPMENT AND PRODUCTION OF BERING RIVER COAL. THESE COMPANIES CONSIST OF THE TWO LARGEST TRADING COMPANIES IN SOUTH KOREA: HYUNDAI AND SAMSUNG; AND THE TWO LARGEST COAL MINING COMPANIES AS WELL: DAESUNG AND SAMCHOK. CHUGACH FEELS VERY FORTUNATE IN HAVING PARTNERS OF THIS CALIBER AND MAGNITUDE IN APPROACHING AS SUBSTANTIAL A PROJECT AS THE BERING RIVER FIELD. DEVELOPMENT COSTS ARE ESTIMATED TO BE 150 MILLION DOLLARS.

MOREOVER, UNLIKE MOST OTHER NATURAL RESOURCE EXTRACTION VENTURES IN ALASKA, CHUGACH WAS NOT SATISFIED BY SIMPLY EARNING A ROYALTY PERCENTAGE FOR ITS PASSIVE PARTICIPATION IN THIS VENTURE. CONSEQUENTLY, WE HAVE A FULL 50% INTEREST IN THE PROJECT, WHICH WILL ENSURE OUR SHAREHOLDERS AND ALL OF THE CITIZENS OF ALASKA A LARGER SHARE OF THE ULTIMATE PROCEEDS OF THIS PROJECT.

DURING THE SUMMER OF 1981 OUR JOINT VENTURE DRILLED 10,000 FEET OF CORE IN THE BERING RIVER FIELD, OPERATING A TWENTY-MAN CAMP FOR 24 HOURS A DAY THROUGHOUT THE DRILLING SEASON. IN SPITE OF THE STRUCTURAL COMPLEXITY OF THE FIELD, WE WERE ABLE TO ESTABLISH PROBABLE RECOVERABLE RESERVES IN EXCESS OF 62 MILLION TONS, AND ANOTHER 28 MILLION TONS OF POSSIBLE RECOVERABLE RESERVES. THE 1981 PROJECT COST ON THE ORDER OF \$1.4 MILLION. OUR 1982 PLAN OF OPERATIONS CALLS FOR A SIMILAR INVESTMENT.

NOR HAS CHUGACH BEEN INACTIVE IN THE "OFF SEASON" THIS WINTER. IN ADDITION TO PREPARING THIS PROPOSAL FOR YOUR CONSIDERATION ON THE PORT AND TRANSPORTATION SYSTEM INFRASTRUCTURE FEASIBILITY STUDY, WE HAVE ALSO COMPLETED THE FOLLOWING STUDIES:

1. "PRELIMINARY ROUTING STUDY - BERING RIVER COALFIELDS", BY GOLDER ASSOCIATES IN SEPTEMBER OF 1981;
2. "PHOTOGEOLOGIC INVESTIGATION OF THE BERING RIVER COAL FIELD" BY GOLDER ASSOCIATES IN SEPTEMBER OF 1981;
3. "PRELIMINARY ECONOMIC PROSPECTUS FOR THE DEVELOPMENT OF BERING RIVER COAL FIELD", BY THE KOREA ALASKA DEVELOPMENT CORPORATION, IN SEPTEMBER OF 1981;
4. "GEOLOGY AND DRILLING REPORT OF BERING RIVER COAL FIELD, ALASKA" BY THE KOREA-ALASKA DEVELOPMENT CORPORATION, IN SEPTEMBER OF 1981;
5. "PRELIMINARY REGULATORY ANALYSIS FOR THE BERING RIVER COAL FIELD DEVELOPMENT" BY ERTEC NORTHWEST, IN DECEMBER OF 1981.

I BELIEVE THAT YOU CAN SEE THAT THIS VOLUME OF ON-GOING WORK INDICATES OUR COMMITMENT TO THIS PROJECT.

THE LEGISLATION BEFORE YOU REQUESTS A ONE-TIME APPROPRIATION OF SOME \$456,500 FOR STUDIES WHICH, WE BELIEVE, CONSTITUTE A LEGITIMATE STATE FUNCTION. THE STUDY CONSISTS OF THREE PARTS:

THE FIRST CONSISTS OF AN INVESTIGATION OF ALTERNATIVE SITES FOR THE PORT FACILITY. THIS WILL INCLUDE A MARINE GEOPHYSICAL SURVEY, A PRELIMINARY TERMINAL SITE EVALUATION, AND A DETAILED EVALUATION OF CONCEPTUAL LAYOUTS AT THE MOST PROMISING SITES. THIS PHASE IS PROJECT TO COST \$205,000.

THE SECOND PHASE WILL CONSIST OF A TRANSPORTATION SYSTEM INVESTIGATION FROM THE MINE SITE TO THE PREFERRED PORT LOCATION. THIS WILL INCLUDE A PRELIMINARY MODE AND ROUTE INVESTIGATION, A DETAILED EVALUATION OF ROUTE CONCEPTS, AND AN EVALUATION OF POTENTIAL HANDLING, STORAGE AND LOADING FACILITIES. THIS SECOND PHASE IS PROJECTED TO COST \$145,000.

THE THIRD PHASE OF THE STUDY WILL CONSIST OF A FINANCIAL AND ECONOMIC ANALYSIS. THIS WILL INCLUDE MARKET IDENTIFICATION, ECONOMIC EVALUATIONS AND FINANCIAL PROJECTIONS. THE DELIVERED COST OF BERING RIVER COAL WILL BE PROJECTED IN TERMS OF DOLLARS PER MILLION BTU'S. THIS WILL ALLOW IT TO BE COMPARED WITH THE DELIVERY COST OF OTHER COALS IN PACIFIC RIM MARKETS ON A DISCOUNTED CASH FLOW BASIS.

IN SUMMARY, WE BELIEVE THAT AN INVESTMENT ON THIS ORDER OF MAGNITUDE IS APPROPRIATE BY THE STATE OF ALASKA IN THE BERING RIVER COAL PROJECT AT THIS TIME. IT WILL SERVE TO COMPLEMENT CHUGACH'S SIZEABLE INVESTMENT IN THE EXPLORATION PROGRAM ITSELF. IT WILL

FURTHER ENSURE THAT THE QUESTION IN SOME PEOPLE'S MINDS OF WHETHER A PORT AT KATALLA OR CORDOVA, OR ELSEWHERE IN THE BERING RIVER AREA IS FEASIBLE, WILL BE ANSWERED.

WE BELIEVE THAT IT WOULD BE APPROPRIATE FOR THE CITY OF CORDOVA, AS THE LOCAL GOVERNMENT MOST SIGNIFICANTLY IMPACTED BY THE PROPOSED DEVELOPMENT, TO RECEIVE AND ADMINISTER THIS APPROPRIATION. IF THAT DOES NOT PROVE WORKABLE OUR SECOND CHOICE IS THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT.

PLEASE BE ASSURED THAT THIS INVESTMENT IN THE BERING RIVER PROJECT WILL NOT COMMIT THE STATE TO SPENDING UNTOLD MILLIONS OF DOLLARS ON IT IN THE FUTURE. HOWEVER, WHAT IT WILL DO, IS HELP TO SPUR ON A PROJECT WHICH WE ARE PURSUING VERY AGGRESSIVELY, BUT WHICH ONLY A YEAR AGO SOME SAID WOULD NEVER BE DONE. THE STATE OF ALASKA DOES HAVE AN APPROPRIATE ROLE TO PLAY IN THE DEVELOPMENT OF NATURAL RESOURCES OTHER THAN OIL AND GAS IN THE STATE, AND WE BELIEVE THAT THIS PROJECT IS A PRIME EXAMPLE OF HOW THE STATE'S FUNDS COULD BEST BE SPENT FOR THIS PURPOSE.

LEGISLATIVE SUMMARY

SB 840: "An Act making a special appropriation for payment as a grant to the City of Cordova for a feasibility study of the Bering River coal field port and transportation system; and providing for an effective date."

Sec. 1 Appropriates \$465,500 for a grant to the City of Cordova for a feasibility study of the Bering River coal field port and transportation system.

Sec. 2 The funds shall be disbursed in accordance with AS 37.05.315 - 37.05.319.

Sec. 3 Effective date: immediately.

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SPONSOR: Resources Committee





Box 1210 602 Railroad Avenue  
Cordova, Alaska 99574  
Phone: (907) 424-3237  
or 424-3238

"The Friendly City"

February 9, 1982

James A. Poor  
Mayor

Perry D. Lovett,  
Manager

Donna M. Sherby,  
Clerk / Treasurer

Council Members  
Don Narrance  
Jay Bynum  
Richard Groff  
R.J. Kopchak  
Garry Purvis  
Joe Gunderson

Mr. Lionel L. Drage, President  
Chguach Natives, Inc.  
903 W. Northern Lights Blvd., Suite 201  
Anchorage, AK 99503

Dear Mr. Drage:

The City of Cordova has been informed of your corporation's proposal to the Legislature to fund a Preliminary Feasibility Study of the necessary coal port and related transportation system for the Bering River Coal Field.

Cordova will be the community most directly affected by the development of the Bering River field. We have much to gain by the sound and prudent development of the fields including the diversification of our economic base, increased employment, and the possibility of an alternate source of electric power.

I believe that the proposal which you have submitted to the Legislature for the Prefeasibility Study is appropriate at this time and a legitimate means of State involvement in this project. We look forward to working with your corporation in the development of the project.

Very truly yours,

Perry D. Lovett  
City Manager

Chugach National Forest  
2221 E. Northern Lights Blvd. Suite 238  
Anchorage, Alaska 99508

1920  
February 8, 1982



Carl A. Propes, Jr., Director  
Lands and Natural Resources  
Chugach Natives, Inc.  
903 W. Northern Lights Blvd., Suite 201  
Anchorage, Alaska 99503

Dear Carl:

In response to your February 8 letter to Walt Sheridan the Forest Service would be pleased to participate with the State, the City of Cordova, Chugach Natives, Inc., and others in the proposed study of Bering River coal fields transportation options should such a study be undertaken. We would not be able to provide any funds for the study, but would make available appropriate personnel. As you know, the Copper River Delta contains extremely high wildlife and fisheries values. The Alaska Lands Act at Section 501(b) recognized the importance of these resources and provided that the Copper River/Bering River/Rude River area be managed for the primary purpose of conserving fish and wildlife and their habitats.

A study such as you propose is an excellent way to begin examining options for development of the Bering River coal deposits in an environmentally sound manner--with specific emphasis on the fish and wildlife resources. We would welcome the opportunity to be a part of this effort.

Sincerely,

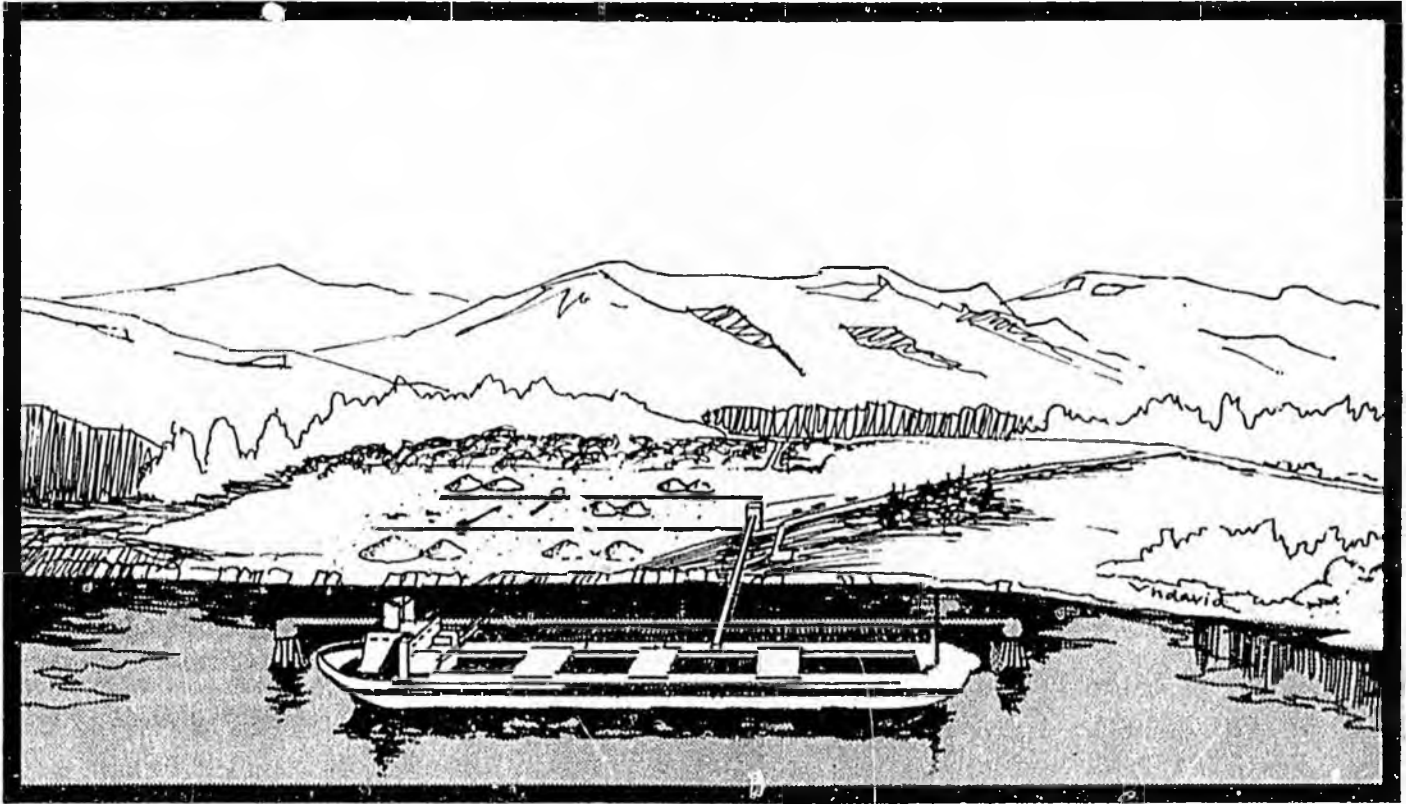
CLAY G. BEAL  
Forest Supervisor

# Proposal

To the Twelfth Alaska Legislature

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## BERING RIVER COAL FIELD PORT AND TRANSPORTATION STUDY



Prepared by  
**Chugach Natives, Inc./KADCO**

---

February 1982



**CHUGACH NATIVES, INC.**

903 WEST NORTHERN LIGHTS, SUITE 201 • ANCHORAGE, ALASKA 99503  
(907) 276-1080 TELEX 26-497

February 10, 1982

Jalmar M. Kerttula, President  
Alaska Senate  
Pouch V  
Juneau, Alaska 99811

Joe L. Hayes, Speaker  
Alaska House of Representatives  
Pouch V  
Juneau, Alaska 99311

Dear Gentlemen:

The attached proposal requests an appropriation of \$456,500 from the Alaska Legislature for a Prefeasibility Study of the Bering River Coal Field Port and Transportation System.

Chugach Natives, Inc., expended over \$1 million in exploration and drilling work in the Bering River Field in 1981, and a similar investment is scheduled for this year. The attached proposal details how the requested State funds fit into the overall development plan for this Coal Field.

Chugach believes that it is appropriate for the State to fund this portion of the project because it will serve to promote the development of Alaskan natural resources other than oil and natural gas. Moreover, benefits from the production of Bering River coal will accrue not only to Chugach's 2,100 shareholders, but also to Cordova through the diversification of that community's economic base and through the possibility of an alternative source of electric power. The revenue sharing requirements of the Alaska Native Claims Settlement Act will further guarantee that the profits from this mine will be distributed all over the State of Alaska.

This appropriation request was not included in the Governor's proposed capital budget because at the time that that was compiled we had not yet received the positive results of last summer's drilling program.

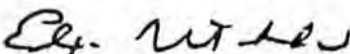
We should make clear that Chugach is not asking for this appropriation for itself to perform the requisite work. We do not even intend to bid on any of the work authorized by this appropriation, if it is authorized. We would prefer to see the funds channeled to the City of Cordova as the contact administrator, assuming that municipalities are awarded extraterritorial jurisdiction for port projects in pending legislation.

Our second preference for a funding entity would be the Department of Commerce and Economic Development, which has agreed to administer the project if the Legislature so decides.

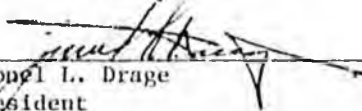
Your favorable consideration of this proposal would be most appreciated. Please call us if you have any questions concerning it.

Sincerely,

CHUGACH NATIVES, INC.



Edgar Blatchford  
Chairman of the Board

  
Lionel L. Drage  
President

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## EXECUTIVE SUMMARY

The high quality of Bering River coal has been known for 75 years. Drilling tests in 1981 reconfirmed this remarkably high quality and refuted the stereotype of Alaska coal as having high moisture content and low heating value. Probable recoverable reserves in the Bering River Coal Field have been identified in excess of 62 million tons; "possible" reserves are millions more. The precise extent of economically recoverable reserves, however, is currently undetermined. This uncertainty about the costs of Bering River Coal Field development is the reason for this proposal.

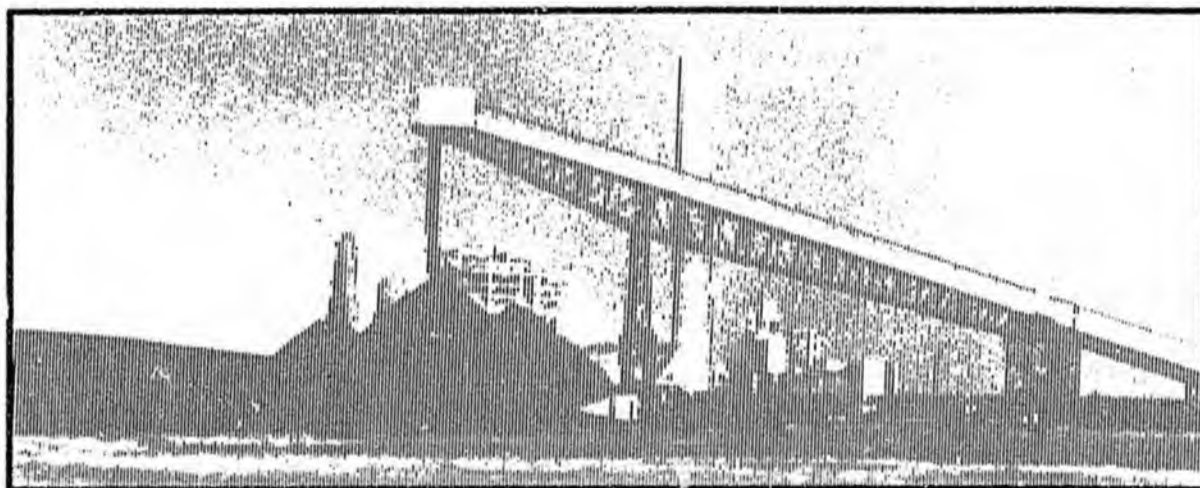
If the coal can be marketed profitably to Pacific Rim countries, the benefits to all Alaskans will be immense. Chugach Natives, Inc., has worked very hard for over a year to find compatible partners and to carry out preliminary studies and test drillings. All results have been positive, but a number of questions remain.

Our proposed Coal Port and Transportation Study will answer many, but not all, of these questions. It will provide information on whether more detailed engi-

neering and environmental analyses are potentially worthwhile, or whether mining and transporting the coal will simply be too costly.

This proposal requests funding for \$456,500 for this essential study. Chugach Natives, Inc., and KADCO, its joint venture partner, have already spend \$1 million and are committed to spending another million dollars in the coming year. This request represents a relatively small, although vital, part (15 percent) of the initial planning and conceptual phase budget of roughly \$3 million for 1981 through 1984.

For this investment, the state of Alaska will receive a straight answer to a question with potentially great significance to the state as a whole: Are the port and transportation concepts for the development of the Bering River Coal Field technically and economically viable, and are the requirements compatible with the high environmental standards of the state and Chugach Natives, Inc.?



## INTRODUCTION

The Chugach region is located along 450 miles of the Alaska coast from lower Cook Inlet on the west to Icy Bay on the east. As the map below shows, the region includes the cities of Cordova, Seward, Valdez, and Whittier.

There are approximately 2,100 shareholders of Chugach Natives, Incorporated (CNI), one of the 12 Alaska Native regional corporations created under the Alaska Native Claims Settlement Act (ANCSA). Five village corporations, also created by this act, are located within this region. They are the Chenega, English Bay, Eyak, Port Graham, and Tatitlek village corporations.

The Chugach Region is a "melting pot" of Alaska Native cultures. The ancestry of the shareholders includes Aleut, Chugach Eskimo, and Eyak Indians. The Chugach people have occupied the Prince William Sound area for thousands of years.

The continued existence and livelihood of the Chugach people depends on a diversified economy as well as a clean environment. Many shareholders of CNI and other Chugach region residents are fishermen who depend on the continuing prosperity of the commercial salmon harvest. CNI's largest investment to date, the Orca seafood processing plant in Cordova, supports the region's involvement with this important industry.

CNI promotes development that will broaden and stabilize the economic base while not jeopardizing the seafood industry.

The Bering River Coal Field Port and Transportation Study will be a major step toward diversifying and strengthening the economic base of the Chugach region. Development of the Bering River Coal Field will benefit:

- The 2,100 shareholders of Chugach Natives, Inc., through investment of their capital in a profitable venture
- The Cordova area economy, through the creation of hundreds of job opportunities and the diversification of the economic base
- The residents of Cordova, through the possible availability of electrical power from a mine-mouth power plant
- All Alaska Natives, through the revenue-sharing provision of the ANCSA
- The state of Alaska, through industrial growth and reduced regional dependence on state aid

### Objective

The development of the Bering River Coal Field, like any other major project, will be expensive. For development to occur, many very difficult technical and economic questions must be answered and environmental concerns must be addressed. The proposed



Site Map

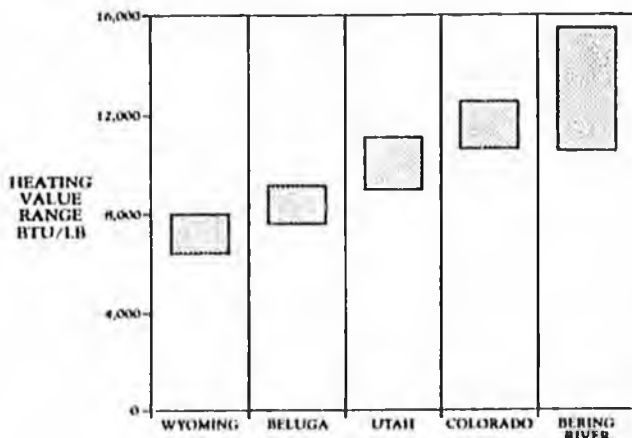
study will provide many, although admittedly not all, of the needed answers. It will attempt to answer enough questions about the potential port sites and transportation routing alternatives so that reasoned decisions can be made on whether or not to proceed with the next phase of preliminary engineering and permitting.

## History

The commercial success of the Bering River Coal Field development seems probable based on the history of the field, the quality of the coal resource, and the interest already shown by potential buyers. The Katalla-Bering River area possessed the most valuable known fuel resources in Alaska until the development of the Cook Inlet oil and gas fields in the late 1950's and the North Slope discoveries in the late 1960's. The Bering River Coal Field was the first coal field discovered in Alaska, and 4 out of every 5 of the mining claims in the 1905 "coal rush" were made in this field. Regional development ceased in about 1916, however, for political reasons.

## Coal Quality

The coal found in the Bering River field has long been recognized for its high quality. Alaska coal is, unfortunately, widely thought to be of lower quality than most other coals. This is a definite misconception in the case of Bering River coal, as the figure below demonstrates. Bering River coal compares very favorably with coal from Colorado, Utah, and Wyoming, as well as with coal from the Beluga fields. This fact is very encouraging because the Pacific Rim buyers of these other coals would compare Bering River coal against them.



Comparison of  
Typical Coal Heating Values

## Coal Reserves

Alaska may actually have more coal resources than the rest of the western United States, although actual mineral reserves are still anybody's guess due to limited drilling information. Over 62 million tons of recoverable reserves were identified in the Bering River Coal Field following a drilling program conducted in the summer of 1981. Another 28 million tons are estimated as possibly recoverable reserves. Additional coal reserves will be better defined in 1982 and thereafter. Estimates of "recoverable" and "potential" reserves have invariably proven low throughout the country.

The size of CNI's land selection in the Bering field, the amount of land under coal exploration license, is slightly under 70,000 acres.

## Markets

Far East countries are developing into good markets for Alaska coal. These countries are expected to use nearly 200 million tons of thermal coal by the year 2000. The United States is forecast to export over 50 million tons of steam coal annually to Asian countries by the year 2000.

## Chugach Natives, Inc. and KADCO Agreement

The proposed Coal Port and Transportation Study follows more than a year of planning activity by CNI. In April of 1981, CNI executed an agreement for exploration and development in the Bering River Coal Field with a consortium of four major Korean companies (KADCO). The consortium includes the two largest Korean trading companies, Hyundai Corporation and Samsung Company, Ltd.; and the two largest Korean coal mining companies, Daesung Consolidated Coal Mining Company, Ltd., and Samchok Consolidated Coal Mining Company, Ltd.

In May of 1981, this joint venture began an aggressive core drilling program under the first Federal coal exploration license ever issued in Alaska. CNI and KADCO are pleased with the results of the 1981 program, and in January of 1982 the partners signed an agreement to continue with a similar drilling program during 1982.

CNI has valid land selection rights to the eastern third of the Bering River Coal Field, in the Carbon Mountain area, under the ANCSA. CNI was offered title to the two thirds of the field now in the Chugach National Forest by the Federal government as part of its land settlement in the Chugach Region Study (Section 1430 of the Alaska National Interest Lands Conservation Act of December 2, 1980.)

# BERING RIVER COAL FIELD DEVELOPMENT PLAN

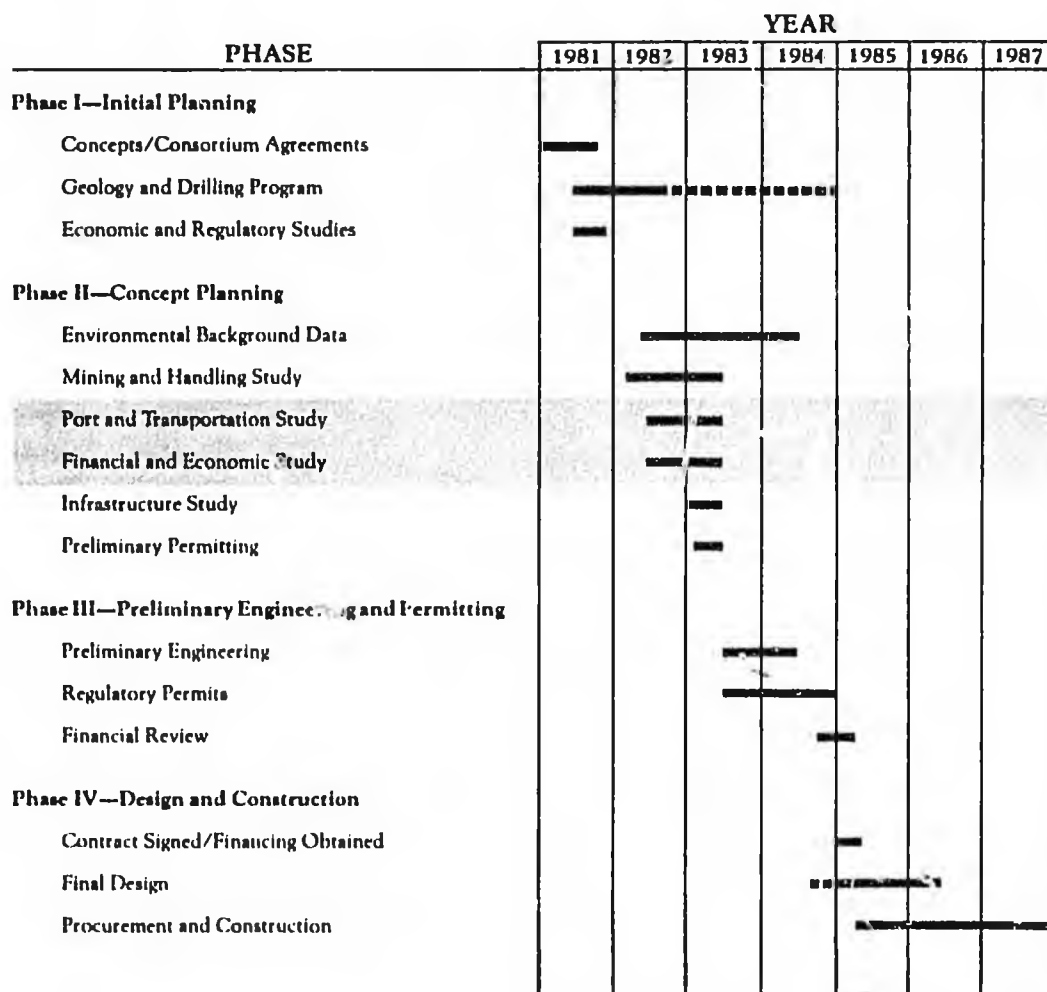
## An Overview

The proposed Coal Port and Transportation Study follows more than a year of preliminary studies, test drilling, and consortium negotiations. A preliminary economic analysis, completed by KADCO in September 1981, concluded that economically recoverable coal resources are located in the Bering River field.

On the basis of these preliminary studies, Chugach Natives, Inc., and KADCO will continue development planning during 1982. A detailed market study is underway that will provide necessary baseline information for the Coal Port and Transportation Study. A number of technical, economic, and environmental issues were identified in the previous studies. The proposed study will provide many of the needed answers.

By following the development plan shown below, CNI can bring the Bering River Coal Field into production in a cost-effective manner. The development plan allows for periodic reappraisals of viability and a fast answer to the question of whether development of the coal field can or cannot be accomplished in a technically, environmentally, and economically sound manner.

As shown below, the Coal Port and Transportation Study follows initial studies that clearly indicated that further analysis of port and transportation alternatives is now warranted. This study will determine the advisability of proceeding with the remaining, more expensive, development phases. Although shown below as a separate analysis, the financial and economic analysis is considered in this proposal to be part of the Coal Port and Transportation Study.



Bering River Coal Field  
Development Plan



## PORT AND TRANSPORTATION SYSTEM STUDY

The Coal Port and Transportation Study will provide many of the answers to key questions such as: Are port sites adequate? Can transportation corridors be created and maintained? What is the most cost-effective handling and transport system from mine to port?

The study has three main elements: a marine terminal investigation, a transportation systems investigation, and a financial and economic analysis. The terminal investigation includes three parts:

- A preliminary identification and assessment of terminal sites
- A marine geophysical and limited landside survey
- A detailed evaluation of conceptual layouts at the most promising sites

The transportation systems investigation will include:

- A preliminary mode and route evaluation
- A selection and detailed evaluation of a route plan
- A storage handling and loading evaluation

The financial and economic analysis of the overall development concept will be performed concurrent with the study. It will include:

- A market study to identify coal quantities, qualities, and likely vessel size
- A financial study to identify the ability of Bering River coal to compete with other world coal sources (such as Utah and Colorado) in the Asian markets, in terms of delivered cost per million Btu
- An economic study to identify the economic benefits and costs of coal field development

### Transportation System Investigation

#### Objective

The transportation system investigation will address the technical, economic, and environmental aspects of transporting coal from the Bering River Coal Field to terminal sites in Kavalla and Cordova.

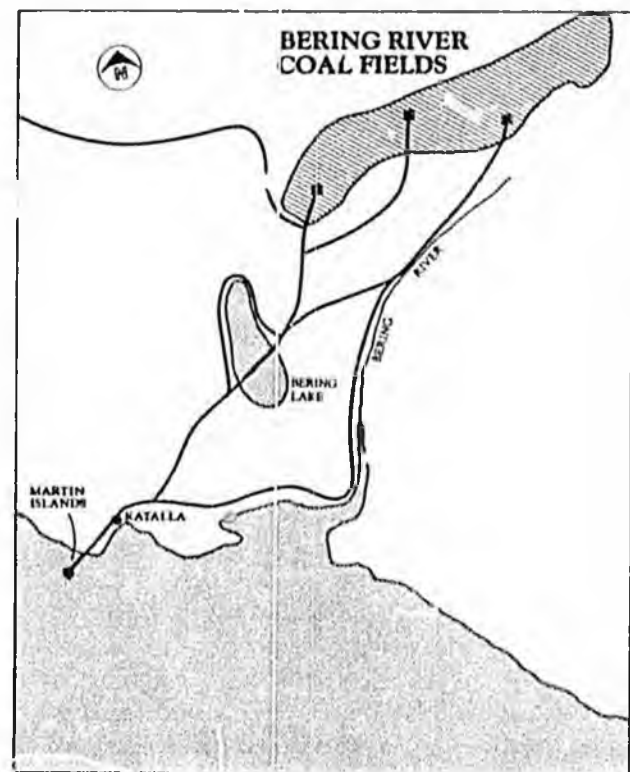
#### Scope

Design criteria for transporting coal via the modes of rail, truck, conveyor, and slurry will be defined first. These criteria will then be applied to those routes identified in preliminary studies conducted in 1981, shown on the figure at right. The selection of route and mode will require: (1) a reconnaissance survey of soil, drainage, relief, and geology; (2) a comparison

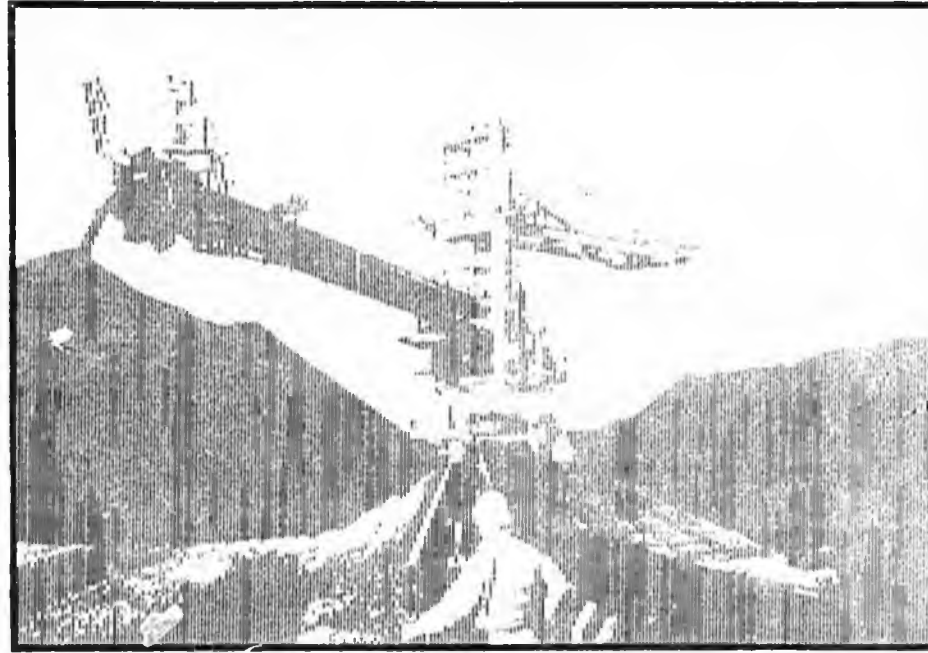
of construction, operation, and maintenance costs for each mode and route; and (3) a comparison of environmental impacts. This element of the study will evaluate: whether grades identified in the design criteria for each mode can be created and maintained; adequacy of soil conditions along the identified routes; effects on flora and fauna; energy requirements and sources; borrow material quantities and sources; effects of weather; and drainage characteristics for each mode and route alternative.

The location and layout of the coal terminal, including a storage and reclamation system, will also be analyzed. Topography, soil conditions, geologic hazards, waste material disposal requirements, storage requirements, power access, site rehabilitation requirements, cost, and environmental effects will be considered.

The optimal mode and route will be selected on the basis of technical, economic, and environmental criteria and conceptual plans and cost estimates will be prepared for them.



Transportation Routes



## Marine Terminal Investigation

### Objective

The marine terminal investigation will evaluate the location and developmental requirements of ship moorage and loading sites in the Katalla-Cordova region.

### Scope

A preliminary analysis of available terminal sites in the Katalla-Cordova region will identify the most likely sites for detailed evaluation. Criteria will be identified for: receiving coal via rail, road, conveyor, and slurry; storing and preparing coal upland from the terminal; and loading barges and deep-draft vessels. These criteria will be used to evaluate the available sites regarding their size and topography, drainage, flora and fauna, soils, geology, bathymetry, currents, waves, tides, sedimentation, and navigation.

More detailed evaluations and site plans will be prepared for the most likely sites. The decision criteria will be further refined for the transportation, storage, and preparation systems identified as most cost-effective in the transportation study. A marine geophysical survey will be conducted to provide necessary data on subsurface contours and depth to bedrock. This survey will show whether the sites will support piling and other port structures, and whether dredging will be required. Site-specific climatological and current data will be acquired using an automatic weather station and current meters.

Conceptual layouts, cost estimates, and maps of topography, soil conditions, geologic hazards, and envi-

ronmentally sensitive locations will be prepared for selected terminal sites. A final terminal site recommendation will be made on the basis of these considerations.

## Financial and Economic Analysis

### Objective

The financial and economic analysis will provide basic data, such as the required annual throughput, that are needed to optimize the port and transportation system design.

### Scope

The analysis will be based on available published data verified through interviews with exporters, trading companies and shipping companies. It will provide an answer to the key question of whether Bering River coal reserves are economically recoverable.

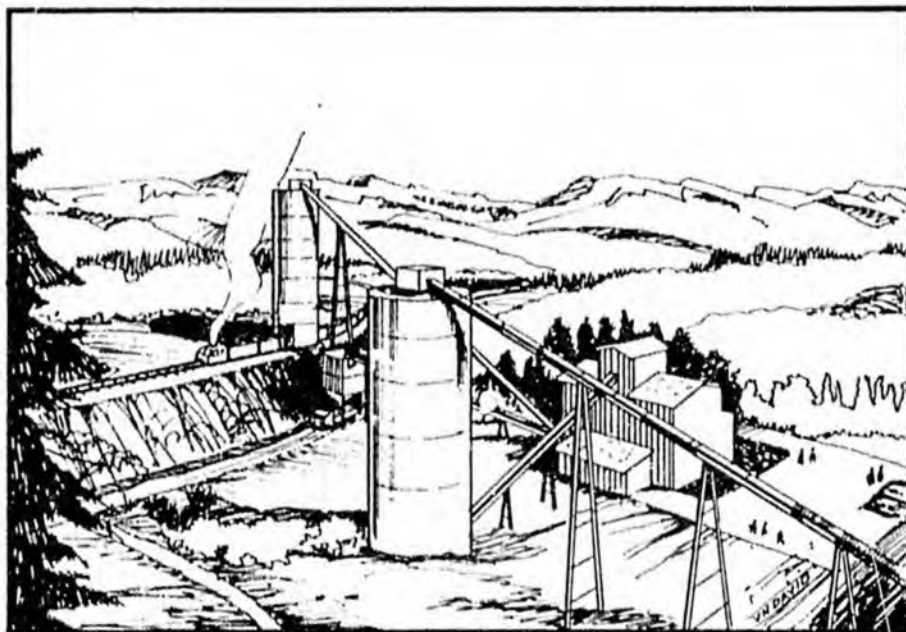
The financial and economic analysis will project the cost of Bering River coal in dollars per million Btu. Ocean transport and receiving facility handling costs will be provided by KADCO. The delivered cost of Bering River coal will then be compared with the projected costs of coal delivered from other West Coast states and Australia.

The economic evaluation of the development will include a comparison of net benefits and costs to the state of Alaska, all Alaska Natives, the residents of the Chugach region, and the shareholders of Chugach Natives, Inc. A discounted cash flow analysis will be used to compare benefits and costs.

## SUMMARY OF FUNDS REQUESTED

Funding of \$456,500 is requested for this study. Actual funding for administrative support may change depending upon the requirements of the sponsoring agency. Chugach Natives, Inc., and KADCO have already spent \$1 million, and are committed to spending another million dollars in the coming year.

Study Element	Cost
<b>Port and Transportation Study</b>	
Transportation Systems Investigation	
Preliminary Mode and Route Investigation	\$ 25,000
Detailed Evaluation and Route Concepts	65,000
Handling, Storage, and Loading	
Evaluation	<u>55,000</u>
Subtotal	145,000
Marine Terminal Investigation	
Preliminary Terminal Site Evaluation	30,000
Marine Geophysical Survey	65,000
Detailed Evaluation and Site Concepts	<u>110,000</u>
Subtotal	205,000
Financial and Economic Analysis	
Market Identification	25,000
Economic Evaluation	20,000
Financial Projections	<u>20,000</u>
Subtotal	65,000
Total Port and Transportation Study	415,000
Administration (10 Percent)	41,500
<b>TOTAL FUNDS REQUESTED</b>	<b>\$456,500</b>



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**This document was prepared in consultation with  
CH2M HILL Northwest, Inc.  
Anchorage, Alaska**