

S B

280

STATE OF ALASKA THE LEGISLATURE

POUCHY - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY LEGISLATIVE REFERENCE LIBRARY

May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

SENATE RESOURCES COMMITTEE, 4/19/85, 1:10
" " 4/26/85, 2:35

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF



POUCH V
JUNEAU, ALASKA, 99811
(907) 465-4967

Senate Committee on Resources

June 25, 1985

Buki Wright
President
Fairbanks Chamber of Commerce
P.O. Box 74446
Fairbanks, AK 99707

Dear Buki:

I am pleased to send you copies of Senate Bills 279 and 280 that provide for repayment of state funds expended in support of the Red Dog mine project.

As Chairman of the Senate Resources Committee, I provided for public hearings to be held in order for Alaskans to have an opportunity to comment on this important issue. The legislation developed in my committee will allow the project to proceed, create new jobs and income to Alaskans and assure that any state funds will be repaid. Senate Bill 280 sets out the conditions that must be met before the state commits any funds to the project. Those conditions include:

1. The road and port will be owned and operated by the Alaska Industrial Development Authority (AIDA).
2. Cominco, Ltd. will pay all operation and maintenance costs.
3. If the mine is not developed, Cominco, Ltd. will pay the state for any expenses incurred.
4. Cominco, Ltd. will repay the state through toll fees charged on the amount of ore hauled across the road.
5. Other users are guaranteed access to the road and port and will be required to pay toll fees.
6. The state must receive at least a five percent return on its investment and it can be more depending on AIDA negotiations with the users of the road and port.

7. AIDA must report to the Legislative Budget and Audit Committee that all conditions in SB 280 have been met before they proceed with the project.

At the present time AIDA, Cominco, Ltd. and NANA Regional Corporation are in the negotiation process.

This legislation came about after lengthy public hearings and much debate. Because of that process, many questions were answered and the bills passed both houses of the legislature with significant support. I appreciate your interest in this project and hope that you will continue to let me know your views on future state issues.

Sincerely yours,

Senator Arliss Sturgulewski
Chairman, Senate Resources Committee

Enclosures

FFR 15 1005

* DELIVER TO: JFOM *
* ORIGINAL *
* SENT: 02/14/85 TIME: 16:59 *
* FROM: LANA TRUJILLO *
* SUBJECT: POM *
* PRINT DATE: 02/14/85 TIME: 16:59 *

TO: ALL LEGISLATORS

FROM: PHILIP MCLAY, BOX 773992, EAGLE RIVER, 99577, 694-7018(HM),
272-7541(WK)

RE: RED DOG MINE

PLEASE GO AHEAD AND CUT THAT JOB LOOSE. IT WILL INCREASE A LOT OF
EMPLOYMENT IN THE FACE OF DECLINING OIL REVENUES.

*
* DELIVER TO: JFOM *
*
* ORIGINAL *
* SENT: 04/19/85 TIME: 08:32 *
* FROM: BARBARA NORRELL *
* SUBJECT: POM *
* PRINT DATE: 04/19/85 TIME: 08:43 *
*

61

TO: ALL LEGISLATORS

FROM: WAYNE BLANK, 2812 WENTWORTH, #1, ANCHORAGE, AK 99508,
276-4388

SUBJECT: RED DOG MINE PROJECT

ALTHOUGH I SUPPORT THE MINING INDUSTRY, I OPPOSE ANY FORM OF
SUBSIDY TO COMICO FOR THE RED DOG PROJECT. NO ONE COMPANY SHOULD
BE SINGLED OUT FOR SPECIAL FAVORS. I FURTHER OPPOSE A LOAN
REPAYMENT PLAN WHICH CALLS FOR THE LOANS TO BE PAID FROM COMICO
USER FEES FOR THE ROAD. THIS PLAN OFFERS NO INCENTIVE FOR
KEEPING THE MINE IN OPERATION.

A

C7017

PDM TDA JUNEAU AK 15 05-02 850A ADT

FMS

SEN ARLISS STURGULEWSKI

JUNEAU

HECK NO TO RED DOG WITHOUT A CITIZEN VOTE.

JOHN MCMULLEN

BCC F ST N-4

JUNEAU AK 99801

FROM: WAYNE - RUSSELL, 2649 BADGER RD, NO- POLE, AK 99705
#488-6208

RE: RED DOG MINE

PLEASE DO NOT SUPPORT RED DOG MINE.

FOM

FROM: H. T. PRENTZEL III, 1807 PHILLIPS FIELD RD, FBX, AK 99701
#--

RE: RED DOG MINE

COMINCO CAN WELL AFFORD TO BUILD THEIR OWN ROAD TO THE RED DOG MINE. AS AN ALASKAN, I FEEL NO PERSONAL NEED TO HELP FUND A MONOPOLY SUCH AS COMINCO. PLEASE DIRECT THE FUNDS TOWARD AREAS THAT WILL DEVELOPE HUMAN RESOURCES. THANK YOU.

FOM

208

Names to
Get Red
Dog Letter

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*****
*
* DELIVER TO: JFOM
*
* ORIGINAL
* SENT: 05/10/85 TIME: 09:29
* FROM: DAVID JENSEN
* SUBJECT: POM
* PRINT DATE: 05/10/85 TIME: 09:30
*
*****

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TO: SENATOR FAIKS, VIC FISCHER, STURGULEWSKI
FROM: VIC MITTASCH
      6727 SEWARD HIGHWAY
      ANCHORAGE, ALASKA 99502 (H) 344-2589
SUBJ: RED DOG FUNDING

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4

I AM OPPOSED TO RED DOG FUNDING FOR A FOREIGN COMPANY THAT HAS USED FOREIGN LABOR AND EQUIPMENT IN PREVIOUS WORK AND MAY CONTINUE TO DO SO WHILE ALASKAN CONTRACTORS AND LABOR ARE WANTING. ASSISTING IN BELUGA COAL DEVELOPMENT WOULD PROVIDE MANY MORE BENEFITS TO ALASKA.

EOM

APR 08 1985

April 5, 1985

Sen. Arliss Sturgulewski
Alaska Legislature
Pouch V
Juneau, Alaska 99811

Dear Sen. Sturgulewski,

A recent AP story on the Red Dog project reported that you received a letter from Loren Lounsbury regarding the assurances he received from Cominco and NANA that they will repay the state's costs for the road and port. If possible, would you please mail me a copy of this letter?

The story also said you wanted to see a more formal agreement in writing. I'd be interested in a copy of any of these documents that surface.


I wrote a column in the March 3 Daily News-Miner business section in which I brought up some of the same points that I understand you are making. Mr. Giegerich gave an update on the project here last night, and I confess I was only slightly swayed by his case.

He said the mine will be the largest in the world and will have the lowest production costs. It seems to me such an operation should be able to afford a 55-mile road.

I'm also troubled by the way the project is being run through the Alaska Industrial Development Authority, with a local committee having a hand in any decisions about how the facilities are run. What guarantee is there that competing companies will have fair access to use the road and port to develop other deposits near Red Dog? This won't be a public highway run by the Department of Transportation, as I understand, but an "industrial facility" operated by AIDA and crossing private land.

Personally, I also have trouble with the state investing in a development when the owners admit at the outset that they will discriminate in employment. NANA has even said it will limit the mine production if too many people from outside the NANA region are getting hired. I sympathize with what NANA is trying to do for its stockholders, but I think such policies are questionable on project aided by public funds.

Regards,


Fred Pratt
PO Box 72981
Fairbanks, Alaska 99707

APR 02 1985

April 2, 1985

Chairman, Senate Resources Committee
~~Senator Arliss Sturgulewski~~
Pouch V
Juneau, AK 99811

Dear Senator Sturgulewski:

Greetings from Dillingham on this cold but sunny day. It is 14 below zero with steam rising from the waters of Bristol Bay.

I am not writing to tell you about our weather but to encourage you and the Senate, the House and the Administration to approve the Red Dog Mine request for funds through the Alaska Industrial Development Authority. This is a project that I believe will send a strong signal that our State has leaders that want to set Alaska on a course of resource diversification and development.

We are relying too heavily on one resource, oil, to meet our short and long term needs. Alaska, much like a developing nation, needs to support and assist diversification in order to move ahead in a manner consistent with the requirements, goals and objectives of our entire state community.

I believe that the people of the NANA Corporation have studied the impact of the mining activity in their area and they have seen that it is time to bring the stated goals of Alaskan resources development and their regional goals together. For the first time, I see an opportunity for our State government and a region of our State to work together to achieve common goals.

These goals are to diversify our economy, bridge the economic gaps between urban and rural Alaska, employ and train Alaskans for a major mining activity and allow a region of our State a chance to engage in a long term project that will not be a financial burden for Alaska in the future.

It would be a major economic development setback if an agreement cannot be struck before this session ends. A delay will send a signal out that will be difficult to override in terms of perception. We Alaskans will be perceived as anti-development on a major scale if the terms needed to proceed cannot be negotiated before the legislature adjourns.

Your request for additional information on a financing statement is legitimate and should be honored as quickly as possible by the Administration. However, I have never seen a legislature give a blank check to any sitting Governor, nor should you on any project of this magnitude.

I urge you to proceed with dispatch to help our State move toward a future that sees us developing our natural resources in a prudent and equitable manner. This is the time to act and you are capable of dynamic action when you know what your are doing is right!

Thank you for listening.

cc: Governor Sheffield
Resources Committee Members
Senator Ferguson Rep. Adams
Senator Sackett Rep. Fuller
Rep. Herrmann Rep. Duncan
Rep. Grussendorf

Very sincerely,

Nels A. Anderson, Jr.
Nels A. Anderson, Jr.

Dillingham, Alaska 99576 • Phone (907) 842-2366

Sen. Sturgulowski
For your info
Jegie

APR 29 1985

Red Dog



UNIVERSITY OF ALASKA

FAIRBANKS, ALASKA 99701

April 27, 1985

Senator Frank R. Ferguson
Alaska State Senate
Pouch V
State Capitol
Juneau, Alaska 99811

Dear Senator Ferguson:

With 85,000,000 tons of proven lead-zinc reserves and a vast additional resource potential, Alaska's Red Dog Mine could become the largest lead-zinc mine in the world. At a rated annual capacity of 580,000 metric tons, this one mine would produce 8.9% of the total world production.

If the Red Dog Mine were in production, Alaska would rank as the fourth most important source of lead-zinc in the world. The State would only be outranked by the countries of Canada, U.S.S.R. and Australia. It would boost the total U.S. lead-zinc production ahead of Australia's and would reverse the long and continuous decline in U.S. metal production.

More importantly, it would establish Alaska as an important new world source of minerals and would provide a broad spectrum of economic benefits to our State and the nation.

Sincerely,

A handwritten signature in cursive script that reads "Leo Mark Anthony".

Leo Mark Anthony
Professor of Mining Extension
School of Mineral Engineering

LMA/bg



University of Alaska-Fairbanks

APR 15 1985

John Alfonsi-Chairman
S. A. A. D.
415-E MODS- UAF
Fairbanks, AK. 99701

Dear Rep. Sturgulewski

The Red Dog Mine project has had a negative cost/benefit analysis since 1981. However, the recent developments concerning Cominco's activity in South Africa deserve special consideration.

Economically speaking, big companies would not exist in South Africa without the present apartheid form of government. Regretably, the money made by Cominco is shared primarily with white South African supremacists and used to maintain minority rule.

It seems Cominco is tacitly supporting the present South African government by negotiating mining contracts with racists thus contributing to South Africa's very selective wealth re-distribution scheme. Obviously, the vast majority of South Africa's people are neither as financially secure or politically powerful as the racist minority. The product of apartheid is racial violence, with Cominco providing indirect monetary support for the immoral government that exists in South Africa today.

It is our belief that Alaskan dollars should not be appropriated by any elected official to tacitly support Cominco Ltd. while the company indirectly condones a racial, oppressive, supremacist government.

We hope Alaska's people will realize that the Red Dog Mine project only generates dollars, for NANA Inc. cash dependant shareholders. In addition, the project would generate money for Cominco consequently, for the white minority rulers in South Africa.

Sincerely,

John Alfonsi- Chairman

Students Against Alaska's Destruction (S.A.A.D.)

Red Dog

EARL H. BEISTLINE
Mine Consultant

P. O. Box 80148
Fairbanks, Alaska 99708

Telephone: Area Code 907
Office: 479-6240

March 14, 1985

The Honorable Arliss Sturgulewski
Alaska State Senate
Pouch V
Juneau, Alaska 99811

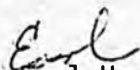
Dear Arliss:

Herewith, enclosed is a copy of a letter and enclosures that I sent to members of the Interior Delegation-Alaska Legislature. Basically, it pertains to my thoughts about the great necessity of again having large-scale production of metals in Alaska. This, in turn, leads to the need for transportation infrastructure and then to COMINCO's need for financial assistance for a road system to a shipping point on Alaska's coast. From this point, the letter is self explanatory. Any assistance you can give toward making such a public transportation corridor will be greatly appreciated. Also, if you have any suggestions or comments for me to be better informed on the current status, please let me know.

On another topic, I am interested in learning what success you have had with the Commissioner of Natural Resources, Environmental Conservation and Fish and Game in arriving at an agreement that will allow Placer Mining to continue with concern for the environment and/or if major problems to such, an agreement have been clearly identified.

Thanks for your continued interest and support. Best regards.

Sincerely,


Earl H. Beistline

EHB/jc

Enclosure

MAR 19 1985

EARL H. BEISTLINE
Mine Consultant

P. O. Box 80148
Fairbanks, Alaska 99708

Telephone: Area Code 907
Office: 479-6240

March 11, 1985

SUBJECT: Legislative approval for upfront funding of the Delong Mountain Transportation Project through the Alaska Industrial Development Authority (AIDA).

Dear _____:

Recently, some concerns about the State participating in the upfront funding of the Delong Mountain Transportation Project through AIDA have been in the news media.

I strongly favor the state participating in such funding where a transportation infrastructure will be developed that is of benefit to the Area and State. This is true especially when the facility will be a public highway, will have a specific economic target that will encourage additional activities by others, will be paid for through users fees and will allow mining operations to begin that will bring substantial economic values to the people of the immediate area, the state and nation.

Overall, my thoughts are based on being a life-long Alaskan, having a background in mining and one who has lived in Alaska during an earlier period when both large and small scale mining were an important part of the Territory's economy. In the early 1930's, I well remember the positive affect that resource production had on mitigating the severity of the depression in a number of cities in Alaska and the importance of such activities to the economy of a number of cities and the establishment of transportation routes that now are key parts of today's Alaska.

My primary point is for Alaska again to have large-scale mining production such as we had in the past. To accomplish this, I believe the state should offer every encouragement possible for private industry to begin such mining activities--justified by carefully reviewing the merits and economic feasibility of each project. At present, the opportunity exists for a number of large-scale operations to begin production of which, COMINCO is one. At this time, I encourage support of the state participating in assisting the Red Dog access project because of the soundness and large-scale scope of the project, as shown by considerable private expenditures for exploration and mine planning, the arctic experience and success of COMINCO's experience in operating its Arctic Mines in Canada and Greenland, including cooperation with the Eskimo residents of the areas, commitments COMINCO has made to the state through a signed document with the Alaska Department of Commerce for payback and financial responsibility, the economic benefit to the people of the community, state and nation, and the favorable attitude created for stimulating other mining operations in various parts of the state. The operation of the Red Dog Mine will bring economic benefits not only

The Honorable _____
March 11, 1985
Page two

to the people employed, but to the service businesses and through taxation. In addition, 70% of the profits received by the NANA Corporation will be distributed to the other 12 Native Corporations of Alaska.

Pertinent to this topic is that the U. S. Bureau of Mines issued a report in 1973, "Estimated Costs to Produce Copper at Kennicott, Alaska," which concluded that the high grade copper deposit easterly of Cordova could not be mined at the date of the report if the Company had to finance the construction of the railroad under the economic conditions of 1972.

If you have any questions about the forgoing, or if I can be of any assistance in this matter, please let me know. Also, I would appreciate knowing of any specific objections or problems that have surfaced in the Juneau arena.

Best personal regards.

Sincerely,

Earl H. Beistline

EHB/jc

P.S. In the event you have not received the "Resolution of Intent" signed by the Alaska Department of Commerce and Economic Development and COMINCO, a copy is enclosed. Also, copies of an editorial that was in the Fairbanks Daily News-Miner and a Resolution by the Greater Fairbanks Chamber of Commerce are herewith.

Enclosures: 3

Similar letters were sent to Alaska Interior Delegation.

RESOLUTION #1-285

RESOLUTION PERTAINING TO THE DELONG MOUNTAIN TRANSPORTATION PROJECT

WHEREAS, The Greater Fairbanks Chamber of Commerce encourages the diversification and expansion of Alaska's economic base through the development of mineral resources; and

WHEREAS, Alaska's lack of transportation facilities is an economic barrier to mineral development and other regional economic activities; and

WHEREAS, the development of the Red Dog mineral deposit will provide employment, income, and tax revenues, and will reduce regional social transfer payments; and

WHEREAS, the development of the port facilities for the Red Dog project will provide benefits for regional residents in reduced transportation costs; and

WHEREAS, the development of the port and road will facilitate further resource development by others in the mineral rich Noatak region; and

WHEREAS, the cost of the transportation facilities will be repaid to the State through user fees, as required in a Resolution of Intent between the State of Alaska and Cominco Alaska, Inc.; and

WHEREAS, Cominco, a leader in Arctic mining technology, operates several major mines in Canada and Greenland having excellent environmental records and successful employment programs for local residents;

THEREFORE BE IT RESOLVED that the Greater Fairbanks Chamber of Commerce supports the State assisting in the Delong Mountain transportation project; and

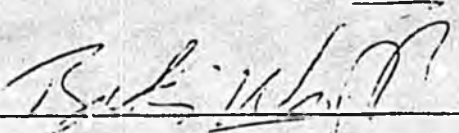
BE IT FURTHER RESOLVED that this resolution be sent to:

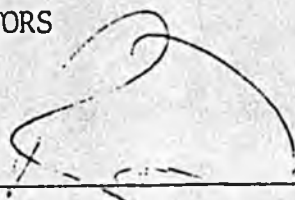
The Governor of Alaska
The Commissioner of Commerce and Economic Development
The Commissioner of Revenue
The Commissioner of Natural Resources
The Commissioner of Transportation and Public Facilities
The Senate Resource Committee
The Senate Finance Committee
The House Resource Committee
The House Special Committee on Loans
The Interior Alaska Legislative Delegation
All other members of the Alaska Legislature

Resolution #1-285
Delong Mountain Transportation Project

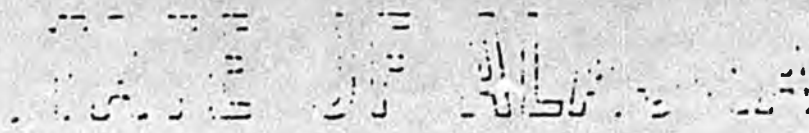
DATED THIS 4th DAY OF February, 1985.

GREATER FAIRBANKS CHAMBER OF COMMERCE BOARD OF DIRECTORS

By 
Title President & Chief Executive Officer

By 
Title Chairman-Elect

Attachments: Resolution of Intent, Cominco and DCE, December 1984



BILL SHEFFIELD, GOVERNOR

**DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT**

OFFICE OF THE COMMISSIONER

7TH FLOOR FRONTIER BLDG.
3601 C STREET, SUITE 722
ANCHORAGE, ALASKA 99503
PHONE: (907) 562-2728

RESOLUTION OF INTENT

WHEREAS, the State of Alaska encourages the diversification of the Alaska economic base through the development of mineral resources; and

WHEREAS, the State of Alaska supports economic development in Alaska and the expansion of regional job opportunities; and

WHEREAS, the State of Alaska recognizes that the lack of transportation facilities in Northwest Alaska poses an economic barrier to the attainment of economic development; and

WHEREAS, the Alaska Department of Commerce and Economic Development is the principal state department responsible for facilitating economic development in all regions of the state; and

WHEREAS, Cominco, Alaska, a division of Cominco, American is considering the development of the Red Dog mineral deposit in the DeLong Mountains area; and

WHEREAS, other mineral resources have been identified in the area near the Red Dog mineral deposits; and

WHEREAS, the Alaska Department of Commerce and Economic Development, in a report entitled Red Dog Project Analysis, identified substantial regional benefits in the event that the DeLong Mountains transportation project is developed; and

WHEREAS, the projected cost of the development of the Red Dog mineral site, excluding the cost of developing transportation facilities, is estimated to be \$290 million (in 1985 dollars); and

WHEREAS, the projected cost of the transportation facilities is estimated to be \$152 million (in 1985 dollars); and

WHEREAS, the lack of available transportation facilities near the mineral deposit may substantially delay private development of the Red Dog mineral deposit; and

WHEREAS, it is contrary to the best interests of the state for there to be a substantial delay in the development of the DeLong Mountains mineral resources and, in particular, in the development of the Red Dog mineral deposit; and

WHEREAS, the transportation facilities which, among other public purposes, would be used in conjunction with the development of the Red Dog mineral deposit are collectively referred to as the DeLong Mountains transportation project; and

WHEREAS, the Alaska Industrial Development Authority (AIDA), a public corporation of the State of Alaska has authority under Alaska Statutes Title 44, Chapter 88, to participate, either independently or in conjunction with a private developer, in the financing and development of public transportation facilities such as the DeLong Mountains transportation project;

NOW THEREFORE BE IT RESOLVED that Cominco, Alaska and the Alaska Department of Commerce and Economic Development, on behalf of the State of Alaska, agree to the following STATEMENTS OF INTENT:

1. The State of Alaska supports ongoing efforts by the Alaska Industrial Development Authority to examine the feasibility of AIDA financing of the DeLong Mountains regional transportation project.

2. The parties recognize and support AIDA's intent to promptly execute all necessary professional services contracts, including a contract with a firm nationally recognized in the field of financial planning, to assist in the preparation of the financial plan required pursuant to AS 44.88.173.

3. If AIDA participates in the financing of the DeLong Mountain transportation project, the parties agree that AIDA and Cominco, Alaska will enter into an agreement which will provide, ^{inter alia} inter alia, for the establishment of equitable user fees payable to AIDA in an amount sufficient to enable AIDA to repay amounts loaned by the state to AIDA; and for the refunding of certain state expenditures in the event that Cominco, Alaska decides not to proceed with the development of the Red Dog mineral deposit.

4. The State of Alaska states its intent to submit appropriate funding requests to the Alaska legislature in support of the DeLong Mountain transportation project.

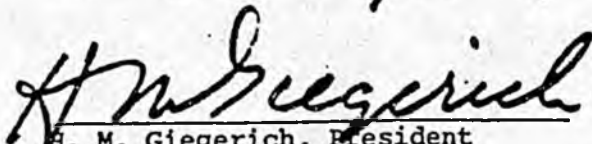
5. The State of Alaska and Cominco, Alaska recognize that this Resolution of Intent does not limit or otherwise affect AIDA's Board of Directors' independent judgment with respect to AIDA's participation in the DeLong Mountain transportation project, nor does this Resolution of Intent limit or otherwise affect the independent judgment of the Alaska legislature upon its consideration of funding requests.

Date:

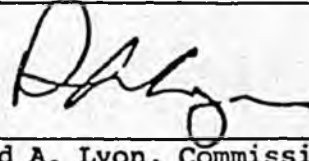
Dec 18/1984

Date:

Dec 17, 1984



H. M. Giegerich, President
Cominco, Alaska



Richard A. Lyon, Commissioner
Department of Commerce and
Economic Development.

Editorial Opinion and Comment of



Daily News - Miner

"Independent in All Things . . . Neutral in None"

Other opinions expressed on this page do not necessarily reflect those of the Daily News-Miner.

Red Dog road is needed

As the Alaska Legislature examines its budget priorities this year, chief among them should be economic development projects that will stimulate the creation of new wealth. For as our Prudhoe Bay revenues decline due to falling world oil prices and production declines, the only real way we can replace those revenues is to create new wealth through mining or agriculture.

Both agriculture and mining have gotten plenty of attention from the administration and Legislature in recent years, but in many cases they haven't gotten the funds necessary to take them beyond the infancy stage.

What's generally needed is state assistance in matters such as transportation, communication, utilities, and sometimes marketing.

One specific project will be before the Alaska Legislature this year, and deserves its support. The Department of Commerce and Economic Development is backing a \$150-million appropriation to build a road and port to Cominco Alaska's lead-zinc deposit at Red Dog, about 70 miles northwest of Kotzebue.

The appropriation makes sense. It would open up the rich Noatak area to development of this mine, as well as other known reserves in the area. It is supported by the people of the area, and in fact the deposit actually is owned by NANA Corp., the regional Native corporation for the area.

Under an agreement Cominco signed last December with the State Department of Commerce and Economic Development, if the state funds road and port construction under the Alaska Industrial Development Authority, Cominco will pay "equitable user fees" sufficient to cover construction costs.

In fact, Cominco guarantees to reimburse the state four times over for construction of the road and port, through payment of toll fees, taxes and royalties. Further, it guarantees to either begin production at the mine within a specified timetable, or make a direct reimbursement to the state of the road and port construction costs.

This is just the sort of project that the state should seek to encourage. It will create new jobs during its construction phase, and continue to provide significant employment over the life of the mine, estimated at more than 50 years. And the state will recoup its investment in the road and port. Cominco, a leader in Arctic mining technology, operates several major mines in Canada and Greenland that have excellent environmental records and successful employment programs for local residents.

Our state government is hard at work encouraging other industries across the state. We help the fisheries industry with marketing; we help the tourism industry with advertising and information brochures; we've made a slow start with agriculture through loan programs.

What's really needed, though, if we're going to stimulate the creation of new wealth through economic diversification, is assistance in access to our resource-rich land. Farmers will tell you they need more land in production. Miners will tell you they need access to mineralized areas.

The state can play a critical role in providing that access when it comes to projects like the Red Dog. The legislative appropriation will get things moving and should be made this year.

December 18, 1984

George A. Moerlein
Regional Manager - Alaska
Houston Oil and Minerals Exploration Co.
1307 E. 75th Avenue, Suite 200
Anchorage, AK 99502

Dear George:

I received your letter regarding the Governor's budget for Cominco's Red Dog deposit and as you requested, I am enclosing a copy of the page in the Governor's budget which allocates money to Red Dog.

George, I appreciated your comments on Red Dog. Like you, I am concerned about how this project is funded and I will keep your comments in mind as we deal with Red Dog during the upcoming legislative session.

Kindest personal regards,

Senator Arliss Sturgulewski
Senate District F, Seat A

Enclosure

1 DEBT SERVICE & MISC PROGRAMS (CONT.)

3	ALLOCATIONS	APPROPRIATION ITEMS	APPROPRIATION GENERAL FUND	FUND SOURCES OTHER FUNDS
4 THIS APPROPRIATION IS FOR FISCAL YEAR 1986 AND SUCCEEDING FISCAL YEARS.				
5 * SEC. THE FOLLOWING APPROPRIATION ITEMS ARE FOR LOAN PROGRAMS FROM THE GENERAL FUND OR OTHER FUNDS AS SET OUT IN THE				
6 FISCAL YEAR 1986 BUDGET SUMMARY BY FUNDING SOURCE TO THE AGENCIES NAMED AND FOR THE PURPOSES EXPRESSED.				
7	* * * * *	* * * * *		
8	* * * * * LOAN PROGRAMS * * * * *			
9	* * * * *	* * * * *		
10 DEPARTMENT OF EDUCATION				
11 COMMISSION ON POSTSECONDARY EDUCATION				
12 SCHOLARSHIP REVOLVING LOAN FUND		63,825,000	63,600,000	225,000
13 TEACHER SCHOLARSHIP LOAN FUND		600,000	600,000	
14 DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT				
15 DIVISION OF INVESTMENTS				
16 COMMERCIAL FISHING LOAN PROGRAM		3,710,000	3,710,000	
17 ALTERNATIVE TECHNOLOGY AND ENERGY LOAN PROGRAM		1,060,000	1,060,000	
18 FISHERIES ENHANCEMENT LOAN PROGRAM		2,071,700	2,071,700	
19 ALASKA POWER AUTHORITY				
20 RURAL ELECTRIFICATION REVOLVING LOAN FUND		2,000,000	2,000,000	
21 DE LONG MOUNTAINS REGIONAL TRANSPORTATION PROJECT				
22 ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY ECONOMIC DEVELOPMENT FUND (AS 44.88.172)		18,000,000	18,000,000	
23 DEPARTMENT OF NATURAL RESOURCES				
24 DIVISION OF AGRICULTURE				
25 AGRICULTURAL REVOLVING LOAN FUND		2,500,000	2,500,000	
26 GRAIN RESERVE LOAN FUND		1,000,000	1,000,000	



DEC 17 1984

HOUSTON OIL & MINERALS EXPLORATION COMPANY

A Tenneco Company

December 13, 1984

Senator Arliss Sturgulewski
Alaska State Senate
Juneau, Alaska 99801

Dear Arliss:

I noted in the paper this morning that Sheffield has a number of millions of dollars in his budget for Cominco's Red Dog deposit. I would very much appreciate receiving a copy of the portion of the budget dealing with Red Dog.

In recent press releases Cominco has stated that they need 70¢ zinc in order for Red Dog to be commercial without state aid. Though I very much want to see Red Dog go, I most positively DO NOT want to see it go with a state subsidy. I believe the state could assume a major active role in helping Cominco through the maze of permits. We could push the railroad west through the Ambler District and Red Dog. But, please, no state subsidies. No free loans. No state feasibility studies of the Red Dog deposit. If Cominco cannot make a go of it alone, they can (1) renegotiate their deal with NANA; (2) take on a partner; or (3) drop out entirely and let someone else carry the ball.

But keep Big Brother out of the thing!

Sincerely,

George A. Moerlein

Regional Manager - Alaska

P.S. These are my own personal comments, not HOMEX's.

GAM:ggg

p. 44

F.X.F.
Frank - later
held for later
response. Issue
still unfolding.

2

* ORIGINAL
* SENT: 03/26/85 TIME: 11:48
* FROM: LIOA
* SUBJECT: POM
* PRINT DATE: 03/26/85 TIME: 11:48
*

*
*
*
*
*

TO: SENATOR STURGULEWSKI

FROM: MICHELL SYDEMAN
1427 INLET PLACE
ANCHORAGE, AK. 99501
PHONE 279-5157 HM

RE: RED DOG

I APPLAUD YOUR EFFORTS TO MAKE SURE THE RED DOG MINE
LOAN PROCEEDS IN A FISCALLY RESPONSIBLE MANNER. THIS
LOAN SHOULD NOT, IN THE END, BECOME EQUIVALENT TO A
GRANT. PLEASE DO MAKE SURE THE MINE WILL BE FEASIBLE
BEFORE APPROVING STATE SUPPORT.

*
* DELIVER TO: JFOM *
* *
* *
* ORIGINAL *
* SENT: 04/22/85 TIME: 16:31 *
* FROM: LIOFBX *
* SUBJECT: POM *
* PRINT DATE: 04/22/85 TIME: 16:31 *
* 2 *

TO: SENATOR STURGULEWSKI

FR: TANYA SPENCE
BOX 82805
FAIRBANKS 99708
PH: MSG 479-0522

RE: RED DOG MINE

MSG: SAAD (STUDENTS AGAINST ALASKA'S DESTRUCTION) SUPPORTS YOUR CAUTION CONCERNING STATE SUBSIDIARIES TO COMINCO INC.. WE BELIEVE ONLY COMINCO BENEFITS BY THE PROPOSED ROAD OR BY THE RED DOG MINE PROJECT. IN THIS TIME OF LOWERING OIL REVENUES, SURELY 18 MILLION DOLLARS COULD BE SPENT IN WAYS TO BENEFIT ALASKA.

*
* DELIVER TO: JFOM *
*
* ORIGINAL *
* SENT: 04/22/85 TIME: 16:45 *
* FROM: PAULA GRAY *
* SUBJECT: POM-FAIRBANKS *
* PRINT DATE: 04/22/85 TIME: 16:45 *
*

TO: SENATE RESOURCES COMMITTEE

SENS: STURGULEWSKI, FAHRENKAMP, ELIASON, ZHAROFF, HALFORD,
COGHILL, V. FISCHER

INTERIOR DELEGATION

SENS: BENNETT

REPS: FRANK, DAVIS, KOPONEN, M.W. MILLER, RINGSTAD

FROM: MARA KIMMEL, PO BX 82631, FAIRBANKS, AK, 99708

PHONE: 474-6032-W

RE: SB 280, RED DOG MINE

MSG: IN THIS TIME OF LOWERING OIL REVENUES, 18 MILLION
DOLLARS IS TOO MUCH MONEY TO SPEND SUBSIDIZING PRIVATE BUSINESSES
LIKE N.A.N.A. AND COMINCO INC. VOTE NO ON THIS BILL.

Red Dog
APR 04 1985

SENATOR ARLISS Sturgulewski
Chairman of the Resources Committee
Pouch V
Juneau, Alaska 99811

Rosand Quimby
Box 56056
North Pole, Alaska 99705

Subject: Red Dog mine

Dear Senator Sturgulewski,

Prior to moving to North Pole I was ~~the~~ ^{the} area game biologist FOR ADF&G in Kotzebue FROM JAN. 1981 to Oct. 1984. I've worked FOR the state or private industry as a wildlife biologist since 1972 with most of my service in rural Alaska. One of the responsibilities of an area biologist is to comment on developments AND to address potential wildlife-development conflicts.

The Red Dog project has been unlike any other major development that I am aware of in Alaska, in that very little preliminary work was done AND NO STATE money was spent doing studies to identify or mitigate environmental impacts in the area. NANA has been in a big big rush to put the project on line without the usual preliminary work. Dames and Moore did prepare an E.I.S. but made only cursory comments on some of the potential environmental AND social impacts. About a year AND a half ago a high ranking administrative official came into the ADF&G office in Kotzebue AND told the Fisheries staff that he did NOT expect that the biologists would find any reason to question the Red Dog project. One game biologist has been forced out of Kotzebue due to the proposition 7 controversy, a fishery biologist is currently being squeezed out politically AND my professional life was in a constant state of frustration AND turmoil the last 1 1/2 years in Kotzebue due to the NANA political power. However, this is an issue aside from the Red Dog project.

There are several serious wildlife conflicts with the Red Dog project. Frequently

5-20,000 caribou will migrate along the coast across the transportation corridor in the fall. The area is often an important wintering area for caribou, caribou frequently migrate back across the corridor in route to their traditional calving area to the north and west of the mine site. The TAPS project more or less went through an area that was not a major migration route since the Porcupine herd was to the east and the Western Arctic herd was to the west. Despite this, tremendous amounts of money and effort was spent on the pipeline to insure caribou impacts were minimized. The Red Dog corridor bisects major migration routes for caribou and concern is miniscule. Additionally, the port facility could affect coastal migrations of beluga whales, Arctic char and Chum salmon. Any impacts on any of these species ^{caribou} could have direct impacts on the "subsistence economy" of several local villages and Kotzebue. These concerns have not seriously been studied or addressed for obvious political reasons. When one compares this to the Susitna Dam project, TAPS or Quartz Hill it is obvious that a double standard of environmental quality control exists in Alaska. For some reason not obvious to me the environmental community, normally very outspoken in Alaska, has had very little to say about the Red Dog project. Hypocrisy abounds! Politics have eroded reasonableness and logic to the point where resource stewardship in Alaska is rapidly becoming a joke.

It seems inconceivable to me that the state will actually finance the road and port facility at such a give away interest rate. For years Cominco / NANA said 200 jobs would be created which, in reality, means 50-100 jobs and now they say its 400 jobs. The interest on 150 million invested in U.S. treasury bills would create 10 times more jobs in Alaska with no chance to lose the principal. Making that kind of an investment is certain to be a world class mistake, worse than anything the New York City banks have done in South America especially when you consider that there

is a MAJOR EFFORT UNDERWAY TOWARD NATIVE SOVEREIGNTY IN THE KOTZEBUE AREA AND THE ACTUAL MINE SITE IS ON NORTH SLOPE BOROUGH LANDS.

HOPEFULLY, I HAVEN'T BURDENED YOUR STAFF TOO MUCH WITH THESE RAMBLINGS. I AM ESPECIALLY CONCERNED ABOUT THE LACK OF ENVIRONMENTAL QUALITY CONTROL ON THE RED DOG PROJECT, THE SPEED THE PROJECT IS PROGRESSING AND HOW NORMAL PROCEDURES ARE BEING CIRCUMVENTED SO THAT THE PEOPLE OF ALASKA CAN RISK THE PRUDHO BAY OIL FIELDS IN ORDER TO MAKE NANA CORPORATION A FINANCIAL SUCCESS. I AM SURE YOU HAVE NO EASY JOB WITH THIS OR OTHER ISSUES. BEST OF LUCK.

Sincerely,

Roland Quimby

FEB 6 1985

*
* DELIVER TO: JPOM *
* *
* *
* ORIGINAL *
* SENT: 02/05/85 TIME: 17:41 *
* FROM: PAULA GRAY *
* SUBJECT: POM-FAIRBANKS *
* PRINT DATE: 02/05/85 TIME: 17:41 *
* *

TO: SENS STURGULEWSKI, FAHRENKAMP, ELIASON, ZHAROFF, HALFORD,
COGHILL, V. FISCHER, FAIKS, SACKETT, KERTTULA, P. FISCHER
FERGUSON, BENNETT

REPS SUND, COTTEN, FULLER, DUNCAN, UEHLING, HERRMAN,
SHULTZ, WALLIS, THOMPSON, M.W. MILLER, CATO, PEARCE,
JENKINS, FRANK, DAVIS, KOPONEN, RINGSTAD

INTERIOR DELEGATION

FROM: BUKI WRIGHT-PRES-GREATER FBKS CHAMBER OF COMMERCE
P.O. BX 74444
FAIRBANKS, AK, 99707

PHONE: 452-1105-W

RE: RED DOG MINERAL DEPOSIT

MSG: ON FEB. 4, 1985, THE BOARD OF DIRECTORS OF THE GREATER
FBX CHAMBER OF COMMERCE, UNANIMOUSLY PASSED A RESOLUTION
SUPPORTING THE ASSISTING IN THE DELONG MOUNTAIN
TRANSPORTATION PROJECT.

AA
A
TT
A
ALASCOM

MAY 10 1985
Telegram

T
08022

NL ANCHORAGE ALASKA 54 05-09 1150P ADT

PMS

01/10/87
SENATOR ARLISS STURGULEWSKI

0731

JUNEAU AK

REFERENCE RED DOG LEAD ZINC PROJECT. I HOPE YOUR ACTION
ON THIS PROJECT CONSIDERED IN-DEPTH ANALYSIS OF ECONOMIC
FACTORS INVOLVED: MINING, TRANSPORTING, PREPARING, SMELTING
AND DELIVERY OF POUND OF ZINC METAL FOR 45 CENTS. POUND
OF LEAD FOR 20 CENTS. CURRENT QUOTE FOR PURIFIED METALS
DELIVERED.

RICHARD C RAGLE

7230 E 20TH

ANCHORAGE AK 99504

APR 19 1985

COMMON SENSE FOR ALASKA, INC.

630 E. 5th Ave., Suite 202 • Anchorage, Alaska 99501 • (907) 276-7648

1984-85

BOARD OF DIRECTORS

Officers

- Pres. G. Kent Edwards*
- Vice Pres. Milton Byrd*
- Sec. Alice R. Hartig*
- Treas. John B. (Jack) Hayes*

April 15, 1985

Executive Director

Suzanne Linford

Directors

Anchorage

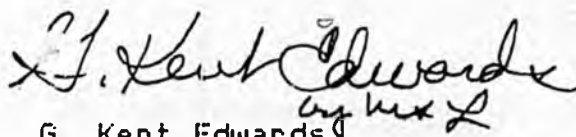
- Richard T. Angell
- Bert Reneville
- Jan Bomhoff*
- Ron Brown
- George Day
- George Easley
- Janice O. Fuiks
- Lee E. Fisher
- Dave Harbour
- Roy Huhndorf
- James A. Johnson*
- Millett Keller
- Len McLean
- Pauline R. Martens
- Carol Maser
- Max D. Nalley
- John K. Norman
- Louis Overstreet
- Cindy Roberts
- Scott Roth
- Sarah Schierhorn
- J. Shelby Stastny*
- Kneeland Taylor
- Frank Van Zant
- C. L. (Lee) Wareham
- Ken Zamzow

Honorable Don Bennett
 President of the Senate
 Alaska State Legislature
 Pouch V (MS 3100)
 Juneau, AK. 99811

Honorable Bennett,

The Board of Directors of Common Sense for Alaska, Inc., a statewide public education organization dedicated to encouraging fiscal responsibility in state government, at its monthly meeting passed the attached resolution and request your affirmative consideration of same.

Sincerely,



G. Kent Edwards
 President

cc: Senate Majority Leader
 Members of Senate Finance Committee

Eagle River

Darlene Chapman

Fairbanks

- David Cuddy
- Jim Dodson
- Ray Kohler
- Tom Owen
- Ralph Seekins

Homer

Gail Phillips

Juneau

- LeRoy Funk
- Peter M. Page

Kenai

C. R. (Rick) Baldwin

Ketchikan

- Sally A. Smith
- Lew Williams

Kodiak

Al Schafer

Palmer

Hazel Hogan

Petersburg

Karen Hofstad

Sitka

Roberly R. Potter

Valdez

- Mary Jo Evans
- Lyle Von Bargaen

*Executive Committee Members

RESOLUTION IN SUPPORT OF THE DELONG MOUNTAIN
TRANSPORTATION SYSTEM

WHEREAS, it is a widely accepted goal for the economy of Alaska to be diversified beyond the oil and gas industry; and

WHEREAS, non-existent transportation infrastructure is a major impediment to any economic development in the State of Alaska, particularly in rural areas; and

WHEREAS, NANA Regional Corporation has created a joint venture with Cominco Alaska for the purpose of opening the Red Dog mineral deposit in the DeLong Mountains; and

WHEREAS, the Cominco commitment to a \$350 million investment will provide private sector employment to the shareholders of NANA Regional Corporation, and through Section 71; of ANSCA, it will provide income to all other native regional corporations; and

WHEREAS, the effects of development of a world class deposit such as Red Dog will have economic benefits beyond the region as goods and professional services are obtained in the major population centers; and

WHEREAS, early investment by the State of Alaska in infrastructure would enable Cominco to begin the mine with significantly less start-up capital and more advantageous position with regard to markets and world supply scenarios; and

WHEREAS, this infrastructure investment would be repaid to the State of Alaska through user fees; and

WHEREAS, considerable income would be generated for the State of Alaska through corporate taxes and royalties; and

WHEREAS, Cominco Alaska has further guaranteed to bring the mine into production within a specified timeframe, to pay for the operation and maintenance of the transportation facilities, and, if there were to be significant delays, to still repay the State of Alaska the amount loaned to develop the transportation facilities, making it a "no-risk" investment; and

WHEREAS, the State of Alaska would enjoy additional benefits from the establishment of Pacific Rim markets for Alaskan resources and development of secondary mineral projects in the southern Brooks Range; and

WHEREAS, the joint venture partners represent both the cultural wisdom and the technological track record to operate successfully in Arctic Alaska;

THEREFORE BE IT RESOLVED that COMMON SENSE FOR ALASKA, INC., supports investment by the State of Alaska in the Cominco/NANA Red Dog project conditioned upon:

1. a written agreement between Cominco and the State of Alaska with respect to the initial finding arrangement between the two and
2. a formal commitment by Cominco to repay the State investment through such means as user fees for use of the transportation system; and

BE IT FURTHER RESOLVED that COMMON SENSE FOR ALASKA, INC., urges the Governor and the Legislature together to adopt a state-wide perspective, and fund, during the current legislative session, loans at interest rates not less than the State's cost of borrowing to construct a transportation system for the DeLong Mountains to service the Red Dog Mine.

PASSED BY THE COMMON SENSE BOARD OF DIRECTORS MEETING 4/15/85

*
* DELIVER TO: JFOM *
*
* ORIGINAL *
* SENT: 05/06/85 TIME: 14:54 *
* FROM: VERNITA VESTAL *
* SUBJECT: POM *
* PRINT DATE: 05/06/85 TIME: 14:54 *
*

TO: SENATORS ~~STURGENESSKI~~, FAIKS, ABOOD, AND RODEY
REPRESENTATIVES FEARCE AND HANLEY

FROM: BARBARA LYNN GARDNER
1908 W HILLCREST DRIVE #14
ANCHORAGE, ALASKA 99503 (H) 274-8756

RE: RED DOG MINE

DO NOT FUND RED DOG. ECONOMIC ASSUMPTIONS UNREALISTICALLY HIGH.
NO PROFIT LIKELY, THUS NO PAY BACK. IF PURPOSE IS TO CREATE JOBS
FOR BUSH RESIDENTS, IT WON'T WORK; BUSH RESIDENTS OFTEN DO NOT
ADJUST TO INDUSTRIAL JOBS AND TIME SCHEDULES. IF BUILT, WILL
HAVE UNECONOMICAL MINE WITH NO PAY BACK AND IMPORTED WORKERS.

APR 29 1985

Kerry Adler
Po BOX 83605
Fairbanks, Ak.
99708

April 26, 1985

Senator Sturgulewski
Pouch V
Juneau, Alaska 99811 .

Dear Senator,

As a student a UAF, I have recently heard discussion of Governor Sheffield's support for the appropriation of funds for the Red Dog Mine Road Project, when budget cuts have been proposed for the state's university system. After careful consideration, I concluded the funds initiating the NANA Corporation-Cominco project should indeed be granted. There are more long term, statewide benefits from such a venture. These include long term hire of Alaska's citizens, direct financial benefits to the people within the NANA Corporation, the state benefits of a guaranteed loan repayment with interest and production revenues, the trickle down effect which will eventually reach many parts of Alaska, the stimulation of education of personnel who will maintain the operation, and the possibility of opening new reserves. Should equivalent funds be provided for the "Higher Education System", there would be a temporary filling of the financial gap, but this will not stop the falling axe. It is only a matter of time before the fat is trimmed.

Budget cuts should not be a detrimental factor in the quality of education. The underlying issue is that of economic diversification and development of a long term, financial base. Although I am concerned by extensive cuts in the university's education monies, in this case, the educational argument is clouded by petty arguments.

Thank you for your time and consideration on this issue. Good luck during the rest of the session.

Sincerely,

Kerry Adler
Kerry Adler

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
BETTYE FAHRENKAMP, Vice Chairman
JACK COGHILL
DICK ELIASON
VIC FISCHER
RICK HALFORD
FRED ZHAROFF



POUCH V
JUNEAU, ALASKA. 99811
(907) 485-4907

Senate Committee on Resources

MEMORANDUM

April 18, 1985

TO: All Members
Senate Resources Committee

FROM: Staff *JH*
Senate Resources Committee

RE: SB 280 "An Act relating to the authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued; and providing for an effective date."

Senate Bill 280 would authorize the Alaska Industrial Development Authority to issue \$175 million in revenue bonds for the purpose of financing the DeLong Mountain transportation system. SB 280 would also establish conditions which protect the state's investment. In lieu of a completed financial plan this bill requires AIDA, Cominco, and NANA to meet certain stipulations before state funding is committed.

AIDA has contracted with SRI International to develop a financial plan in accordance with AS 44.88.173. That plan will not be completed before the end of this legislative session but SRI International will make an oral presentation to a joint Senate Finance and Senate Resources Committee hearing on April 30 at 8:30 a.m. A copy of the contract between AIDA and SRI International is attached.

Effect of amendments. — The 1982 amendment inserted "for which it has not already made a purchase commitment and may not make new commitments to purchase loans from that financial institution."

Sec. 44.88.170. Purchase of project and leases. (a) Nothing in this chapter prevents the inclusion in a lease or other agreement relating to a project of a provision granting the right to purchase the project, or to renew or extend the lease or agreement, upon the terms and conditions which may be provided for in the lease or agreement.

(b) A lease with respect to a project may provide for two or more lessees with the legal relationship between themselves and the authority which the authority may approve, including without limitation, provisions to the effect that the obligations of the lessees under the lease for payment of rental or otherwise between themselves and the authority are several, joint, or joint and several and that the lessees lease the project as tenants-in-common, or otherwise. (§ 1 ch 64 SLA 1967)

Revisor's notes. — Formerly AS 44.61.170. Renumbered in 1980.

Sec. 44.88.172. Economic development fund. (a) The economic development fund is established in the authority. The fund consists of money or assets appropriated, loaned, or transferred to the authority, and other money or assets deposited in the fund by the authority. The fund may only be used to finance, acquire, manage, and operate projects that the authority intends to own and operate. The term "operate" includes operation directly by the authority, or by an agent of the authority.

(b) If a project is financed or developed through use of the assets of the economic development fund, the authority may not pledge or use other assets of the authority to assist in the financing, development, or operation of the project. However, whether or not the authority uses the economic development fund, it may issue bonds to finance a project and may secure the bonds with a mortgage, pledge, or assignment of the project or of revenues, money, or agreements attributable to the project or the bonds as provided in Sec. 10 of this Act. (§ 8 ch 162 SLA 1984)

Cross references. — For requirement of legislative approval prior to the issuance of bonds to finance projects under this section, and for expression of legislative intent, see §§ 10 and 11, ch. 162, SLA 1984 in the Temporary and Special Acts.

Sec. 44.88.173. Finance plan. (a) Before approving a project financed under AS 44.88.172, the authority shall prepare a finance plan. The finance plan must include an estimate of the total cost of the project, and a description of the sources of money that will be used to

make new commitments to purchase from that financial institution.

leases. (a) Nothing in this section shall be construed to give the authority the right to purchase the lease or other agreement upon the terms of the lease or agreement. The authority shall provide for two or more leases to themselves and the lessees and the authority, without limitation, shall provide for the lessees under the lease between themselves and the authority and that the lessees shall be otherwise. (§ 1 ch 64 SLA)

Fund. (a) The economic development fund. The fund consists of the property transferred to the authority, managed and operated by the authority. The authority shall manage, and operate and operate. The term authority, or by an agent

use of the assets of the authority may not pledge or use for financing, development, or for any other purpose, unless the authority uses the funds to finance a project, or assignment of the authority's assets attributable to the authority. (§ 8 ch 162 SLA)

or expression of legislative intent. 10 and 11, ch. 162, SLA 1984 and Special Acts.

approving a project shall prepare a finance plan for the total cost of the project that will be used to

finance the total cost of the project. The finance plan must also include an estimate of the operational costs of the completed project, as well as a description of the source of the money that is to be used to pay the operational costs.

(b) The authority shall give preference to a project that does not require financial assistance from the state. If the authority determines that a project requires state financial assistance, and if the authority further determines that it is desirable to finance the project, the authority shall recommend a method of financing that minimizes cost to the state. A finance plan required under (a) of this section must identify the method of financing that minimizes the cost to the state.

(c) The authority shall submit a finance plan prepared under this section to the state bond committee, the governor, and the legislature before issuing bonds or otherwise incurring debt for the project. If a project requires financial assistance from the state, the state financial assistance must be available before bonds are issued for the project. (§ 8 ch 162 SLA 1984)

Sec. 44.88.174. Regional resource advisory council. (a) Within 30 days after the authority adopts a resolution certifying that a project in the unorganized borough is eligible for financing under AS 44.88.172, the governor shall appoint a Regional Resource Advisory Council in the area of the state where the project is to be located and for which a regional housing authority has been established under AS 18.55.996. The purpose of a council is to assist the authority in reviewing a project that has been proposed for development in its area of the state.

(b) A Regional Resource Advisory Council consists of five members registered to vote in the region. The governor shall appoint the members to reflect the economic and geographic diversity of the region. Council members serve three-year terms at the pleasure of the governor, except that the initial members may be appointed for less than three years so that the term of at least one of the members expires each year. The governor shall appoint a chairperson who shall call meetings as required and preside over the deliberations of the council. A majority of the council constitutes a quorum for conducting the business of the council.

(c) Members of a Regional Resource Advisory Council do not receive compensation for their services on the council, but are entitled to per diem and travel expenses authorized by law for state boards and commissions under AS 39.20.180. (§ 8 ch 162 SLA 1984)

Sec. 44.88.175. Requirements prior to approval of projects. (a) Before entering into an agreement to finance or to develop a proposed project with a cost in excess of \$10,000,000 that is financed under AS 44.88.172, the authority shall obtain the approval of each Regional Resource Advisory Council or municipality in the area in which the

proposed project is to be located. Approval under this subsection must be evidenced by a certified copy of a resolution of the council or of the governing body of the municipality.

(b) Before approving a project financed under AS 44.88.172 for which bonds must be issued, the authority shall

(1) obtain approval under (a) of this section;

(2) find, on the basis of all information reasonably available to it, that

(A) the project and its development under this chapter will be economically advantageous to the state and to the general public welfare and will contribute to the economic growth of the state;

(B) the project applicant is financially responsible;

(C) the project is economically and financially feasible and able to produce revenue adequate to repay the bonds or loans with which it is financed;

(D) increased demand on public facilities that might result from the project will be provided for;

(E) the project will provide or retain employment reasonably related to the amount of the financing by the authority, considering the amount of investment per employee for comparable facilities, and other relevant factors;

(F) the scope of the project is sufficient to provide a reasonable expectation of a benefit to the economy of the state;

(G) the project is in compliance with applicable law; and

(H) issuance of the bonds is not expected to adversely affect the ability of the state or any political subdivision of the state to market other bonds. (§ 8 ch 162 SLA 1984)

Sec. 44.88.176. Hearing to consider proposed project. Before considering a resolution regarding the approval or rejection of the development or financing of a proposed project with a cost in excess of \$10,000,000, that is financed under AS 44.88.172, a Regional Resource Advisory Council shall conduct a public hearing within the region. If a proposed project is located within a municipality, the governing body of a municipality shall conduct a hearing on the proposed project. (§ 8 ch 162 SLA 1984)

Sec. 44.88.177. Operation of projects. If a project is financed under AS 44.88.172, the authority shall solicit the review and advice of the Regional Resource Advisory Council or governing body in the area in which a project is located before the execution of contracts, agreements, resolutions, or other matters that directly concern the development, maintenance, and operation of a project. (§ 8 ch 162 SLA 1984)

Sec. 44.88.180. Conflicts of interest. (a) A member of the authority may not vote on a resolution of the authority relating to a lease or contract to be entered into by the authority under this chapter if the

member is a party to the equity interest in a firm that may be a party to the contract that is approved by a majority voting under this subsection for purposes. (§ 1 ch 64 SLA 1984)

Revisor's notes. — Form 44.61.180. Renumbered in 1980. Effect of amendments. — amendment, in subsection (a), "A member of the authority is" "No member of the authority is" member" for "he," and "that" "which may be" in the first rewrote the second sentence formerly read, "If a person may because of this prohibition, for a regarding action of the authority

Sec. 44.88.190. Operation of authority. The authority shall not be considered a division of the state as the corporation or political subdivision in AS 29, or (3) except as the term is used in AS 29; it does not constitute a political subdivision as provided in this chapter.

(b) The funds, income, or property which the authority has a claim against the state or to which the state belongs to the state, or Alaska Constitution. (§ 1 ch 64 SLA 1984)

Revisor's notes. — Form 44.61.190. Renumbered in 1980. Effect of amendments. —

Sec. 44.88.200. Annual financial records audited. The certified public accountant or legislative auditor may prepare records of the authority at any time. (§ 1 ch 64 SLA 1984)

Revisor's notes. — Form 44.61.200. Renumbered in 1980.



STATE OF ALASKA

STANDARD AGREEMENT FORM
FOR PROFESSIONAL SERVICES CONTRACT

State Contract No.
Contract Type
Encumbrance Reference No.
Contract Authority No.

This contract is between the State of Alaska,
Department of
Commerce & Economic Development/Alaska Industrial Development Authority hereafter, the State, and
Contractor
SRI International hereafter, the Contractor
Mailing Address Street or P.O. Box City State Zip Code
333 Ravenswood Avenue Menlo Park California 94025
ARTICLE 1. Appendices: Appendices referred to in this contract and attached to it are considered part of it.
ARTICLE 2. Performance of Services:
2.1. Appendix A (General Provisions), Articles 1 through 14, governs the performance of services under this contract.
2.2. Appendix B sets forth the liability and insurance provisions of this contract.
2.3. Appendix C sets forth the services to be performed by the contractor.
ARTICLE 3. Period of Performance: The period of performance this contract begins March 18, 1985, and ends September 30, 1985. Performance may be extended for additional periods by the written agreement of the parties.
ARTICLE 4. Consideration:
4.1. In full consideration of the Contractor's performance under this contract, the State shall pay the Contractor a sum not to exceed \$ 267,000. in accordance with the provisions of Appendix D.
4.2. When billing the State, the Contractor shall refer to the State Contract Number and send the billing to:

Department of Alaska Industrial Development Authority Attn: Division of Bert Wagnon
Mailing Address 1577 "C" Street, Suite 304, Anchorage, Alaska 99501

Table with 2 columns: CONTRACTOR and STATE. Rows include Name of Firm, Signature of Authorized Representative, Typed or Printed Name of Authorized Representative, and Title.

APPROVAL BY THE CONTRACTING AGENCY
NOTICE! This certifies availability of funds.
Signature of Head of Contracting Agency or Designee
Typed or Printed Name of Authorizing Official
Title
Date

APPROVAL BY THE DEPARTMENT OF ADMINISTRATION
APPROVED
MAR 28 1985
BY THE CONTRACT REVIEW COMMITTEE

NOTICE! This contract has no effect except as an offer by the Contractor until it is approved by the Department of Administration.

APPENDIX A
GENERAL PROVISIONS

- Article 1. Definitions.
1.1. In this contract and appendices, "Project Director" means the person who signs this contract on behalf of the Department and includes a successor or authorized representative.
1.2. "Department" means the agency for which this contract is to be performed and for which the Project Director acted in signing this contract.
Article 2. Inspection and Reports.
2.1. The Department may inspect, in the manner and at reasonable times it considers appropriate, all the Contractor's facilities and activities under this contract.
2.2. The Contractor shall make progress and other reports in the manner and at the times the Department reasonably requires.

APPENDIX B

STATE SAVED HARMLESS & INSURANCE PROVISIONS

Article 1. State Saved Harmless.

The Contractor shall indemnify, save harmless, and defend the State, its officers, agents and employees from liability of any nature or kind, including costs and expenses, for or on account of any and all legal actions or claims of any character whatsoever resulting from injuries or damages sustained by any person or persons or property as a result of any error, omission or negligent act of the Contractor relating to its performance of this contract.

All legal actions or claims including defense costs resulting from injuries or damages sustained by any person(s) or property arising from the Contractor's performance of this contract which will result in joint liability of the State and Contractor shall be apportioned on a comparative fault basis. Any such joint liability on the part of the State must be due to active negligence on the part of the State.

Article 2. Insurance.

During the life of this contract, the Contractor shall purchase and maintain Insurance with a carrier or carriers satisfactory to Department of Administration, Division of Risk Management covering injury to persons or property suffered by the State of Alaska or a third party, as a result of errors or omissions or operations which arise both out of and during the course of this contract by the Contractor or by any subcontractor or anyone directly, or indirectly employed by them. The coverage will also provide protection against injuries by all employees of the Contractor and the employees of any subcontractor engaged in work under this contract. A Certificate of Insurance will be furnished to the Contracting Officer prior to beginning work under this contract. This certificate will show evidence of coverage and provide a written thirty (30) day prior notice to the Contracting Officer, of cancellation, non-renewal or material change. Failure to furnish satisfactory evidence of insurance or lapse of the policy is a material breach and grounds for termination of the Contractor's services.

Before performing under this contract, evidence of the following coverages will be provided:

2.1. Workers' Compensation Insurance: The Contractor shall provide and maintain, for all employees of the Contractor engaged in work under this contract, workers' compensation insurance as required by AS 23.30.045. The Contractor shall be responsible for workers' compensation insurance for any Subcontractor who directly, or indirectly provides services under this contract, to include:

- 2.1.1. Statutory coverage for states in which employees are engaging in work.
- 2.1.2. Employer's Liability Protection in the amount of \$500,000 per person/\$500,000 per occurrence.
- 2.1.3. Broad Form All State's Endorsement.
- 2.1.4. All State and Federal Acts where applicable.
- 2.1.5. Voluntary compensation endorsement.

2.2. Comprehensive General Liability with coverage limits per contract schedule: *

- 2.2.1. Premises Operations.
- 2.2.2. Independent Contractors.
- 2.2.3. Products/Completed Operations.
- 2.2.4. Blanket Contractual.
- 2.2.5. Personal Injury.

2.3. Comprehensive Automobile Liability with coverage limits per contract schedule: *

- 2.3.1. All Owned Vehicles.
- 2.3.2. All Hired Vehicles.
- 2.3.3. All Non-owned Vehicles.
- 2.3.4. Uninsured Motorists.

2.4. Professional Liability with coverage limits per contract schedule. *

2.4.1. Coverage for all errors, omissions or negligent acts which the Contractor, employees, or the subcontractors may make which result in financial loss to the State of Alaska.

2.4.2. The Contractor is responsible for providing professional liability insurance at the Contractor's own expense. At the Contractor's option, this coverage may be obtained through the State's blanket professional liability policy at rates commensurate with the professional liability coverage and limits which are provided. If the Contractor elects to purchase the State's insurance, the reasons for not providing his own coverage must be stated in writing.

The coverage will apply only to those contractor operations which arise out of the State contract. If the Contractor has more than one State contract, separate insurance must be purchased for each contract.

If the Contractor is providing professional liability insurance for any active State contract, he is ineligible to purchase the State professional liability insurance.

*LIMITS FOR ALL INSURANCE ARE PER THE FOLLOWING SCHEDULE

Contract Amount	Minimum Required Limits
Under \$50,000	\$ 250,000 per Occurrence/Annual Aggregate
\$ 50,000 - \$ 99,999	\$ 500,000 per Occurrence/Annual Aggregate
\$ 100,000 - \$ 749,999	\$1,000,000 per Occurrence/Annual Aggregate
\$ 750,000 - \$1,499,999	\$2,000,000 per Occurrence/Annual Aggregate
\$1,500,000 - \$4,999,999	\$5,000,000 per Occurrence/Annual Aggregate
\$5,000,000 or over	Negotiable - Refer to Risk Management

Deductible per loss may not exceed 2% of Contractor's annual gross receipts.

APPENDIX C

- 1) Contractor agrees to perform all tasks and services as identified in the Authority's Request for Proposal (RFP), and in Contractor's response of preparation of a Finance Plan for a Proposed Transportation System in Northwestern Alaska, Proposal No. ICC 85-44 to the Authority's RFP (Response). The Response and the RFP are attached to this contract, and are specifically incorporated as part of this Agreement except as otherwise modified by this Agreement or by subsequent agreement of the parties.

- 2) Contractor shall furnish the Authority with a time schedule for all principal tasks. Contractor shall notify the Authority on at least a weekly basis of the progress toward completion of the identified tasks in a timely fashion.

While target dates for the completion of preliminary tasks are not intended by the parties as specific contractual commitments, the Contractor shall provide a written Draft Finance Plan no later than May 6, 1985. Receipt of a written Final Finance Plan, in a form acceptable to the Authority is due on or before September 1, 1985.

- 3) Contractor recognizes that the Authority may request that the Contractor address additional factors or financing scenarios in conjunction with preparation of the Finance Plan. The Authority may at any time prior to April 8 notify the Contractor in writing to modify the services to be provided under this contract to include such factors of financing scenarios not previously set forth in either the RFP or the Response, providing that any additional factors or financing scenarios identified by the Authority must be reasonably related to the purposes of the Finance Plan, and may not materially modify the nature of the services to be provided by the Contractor.

If the Authority requests that the Contractor consider additional factors of financing scenarios after April 8, 1985, the Contractor has no obligation to consider the request in the draft plan due on May 6, providing however that the Contractor shall address the request in the Final Finance Plan.

- 4) The Draft Finance Plan due on or before May 6, 1985, and the Final Finance Plan due on or before September 1, 1985, must be in a form acceptable to the Authority. The Authority shall review the Draft and Final Finance Plan in a timely fashion. Any review of the Draft and Final Finance Plan shall be limited to a determination of whether the Contractor, in the reasonable judgment of the Authority, has completed all tasks and services set forth in the RFP, Response, or requested by the Authority under Paragraph 3 of Appendix C.
- 5) The Authority agrees that all staff of the Authority shall be available upon reasonable request to respond to inquiries from the Contractor. In addition, the Contractor may request that the Authority refer requests for assistance to other persons or firms under contract with the Authority with respect to the DeLong Mountains Port and Road facility. In particular, the Authority recognizes that the Contractor may require information from the engineering consultant retained by the Authority under another related contract (R & M Engineering) or special tax counsel to the Authority (Rick Ballard of Ballard, Spahr, Andrews & Ingersoll).

The Contractor may not contact contractual agents of the Authority without the approval of the Authority.

- 6) Study Team Principals. The Contractor agrees that the following persons shall provide the services set forth in this contract:

Eugene Thiers, SRI, Project Leader
John Moberly, SRI
G.M. Marsh, SRI
Claire Starry, SRI
J.E. Van Zandt, SRI
Keith Bergman, Harding Lawson
Michael George, First Boston Corporation

The Contractor may modify the Study Team only with the consent of the Authority.

- 7) In substitution of the procedures of Article 3 of Appendix A, the parties agree that in the event a dispute arises under this Agreement, the parties agree to initially submit the dispute for consideration to a neutral Hearing Officer appointed by the Alaska Department of Administration. Either party may seek judicial review of a decision of the hearing officer.

APPENDIX D

COMPENSATION

- 1) Total compensation under this contract for satisfactory completion of all tasks and services is \$267,000:00. This compensation is all inclusive and SRI shall have no right or claim for any additional funds whatsoever arising out of this contract. SRI will be solely responsible for all expenses arising out of this contract including but not limited to travel, lodging, incidental expense, subcontractor expenses, etc.
- 2) Upon receipt of a satisfactory written Draft Finance Plan on or before May 6, 1985, the Authority will provide payment of \$117,000.
- 3) Subject to satisfactory progress toward preparation of the Final Finance Plan, and subject to Contractor's satisfaction of any obligations to meet with government officials regarding the Draft Finance Plan, including presentations before the Alaska Legislature, the Authority will provide payment on June 15, 1985, of \$50,000, and July 15, 1985 of \$50,000.
- 4) Final payment of \$50,000 will be made after completion of all tasks required by the contract. Subject to the above being done by the Contractor in a proper matter, it is anticipated such final payment will be made on or before September 1, 1985.



ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY

1577 "C" STREET • SUITE 304 □ ANCHORAGE, ALASKA 99501-5177 □ (907) 274-1651

March 20, 1985

SRI International
333 Ravenswood Avenue
Menlo Park, California 94025

RE: ADDENDUM NO. 1

The purpose of this letter is to make minor modifications and clarifications to the contract between SRI and the Authority in three areas.

(1) User Fee Structures

In the SRI proposal, the suggestion is made to treat user fees as being of the three types: road charge, storage charge, port charge, each of which would be based on different factors. While this may be a useful approach, the Authority also wants to ensure that a combined fee, for use of the "transportation system" is considered. In particular, one fee schedule that must be included is one which requires a certain price per ton (say \$ X per ton) for a specified number of tons, then a lower fee per ton for any additional tons, backed up by a "take or pay" contract for the specified minimum numbers of tons.

(2) Transportation System Operating and Maintenance Cost

In the SRI proposal, reference is made to obtaining operating costs from Cominco Alaska. While this is a correct source, it may not be the only source of these cost estimates. An engineering firm (R & M) is under contract to the Authority to provide these estimates, along with other duties. If the Authority makes these estimates available to the Contractor in a timely fashion, the Contractor agrees to include the estimates in their analysis.

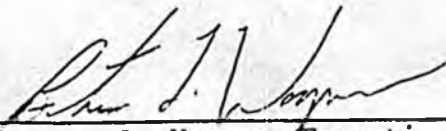
(3) Marketability of Debt

It is expected that all alternative finance plans will involve some degree of debt financing. In analyzing different alternatives, the Contractor should specifically discuss the Authority's ability to actually sell the debt in the marketplace - e.g., what type of rating is the debt likely to have, what are representative interest rates, how wide of a market is there for this type of debt.

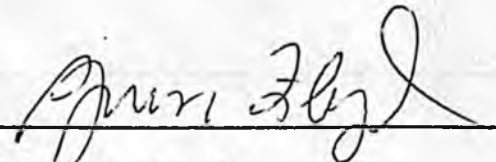
SRI International
March 20, 1985
Page Two

- (4) In the Request for Proposal AIDA requested a draft report by April 15, 1985. This date can not be met as SRI in their proposal anticipated a February 25, 1985 start date for the eight week project. It is now anticipated that the first draft of the report will be available on May 6, 1985. SRI agrees to give an oral overview of the project in Juneau in mid to late April.

The undersigned agree to this Addendum to the contract between the Contractor and the Authority.



Bertram L. Wagon, Executive Director
Alaska Industrial Development Authority



SRI International

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

March 26, 1985

BILL SHEFFIELD, GOVERNOR

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2500

Honorable Arliss Sturgulewski
Chairman, Senate Resource Committee
Pouch V
Juneau, Alaska 98111

Dear Senator Sturgulewski:

Red Dog is, by universal acclaim, one of the world's premier ore deposits and will help satisfy an expected shortfall in world zinc supply far into the 21st century. It is estimated that over a 20-year period, the Red Dog Mine will provide in direct revenues to the State over \$210 million in net present value in the form of taxes and avoided transfer payments. Additionally, the mine will create 400 direct jobs in the northwest Alaska region which experiences very high levels of unemployment, as well as some 200 jobs state-wide in service and supply sectors of the economy. Regional benefits of the project will include significantly reduced transportation costs and the mine could provide an economic base for the formation of a regional borough.

Investment by the State of Alaska in the construction of a regional port and access road, not only to the Red Dog Mine site, but also the richly mineralized Noatak region is both an opportunity for the State to diversify its economy and, backed up by sound financial analysis, is an appropriate responsibility of the government.

The State of Alaska shares the concerns expressed by the Legislature with regard to protecting State interests since it is, in fact, the State of Alaska that will be the owner of the road and the port.

Both the Administration and the Legislature are in complete agreement with regard to assurances and guarantees to be provided by Cominco and NANA. Such guarantees have already been outlined to the Legislature and consist of the following:

- Cominco will guarantee to pay toll fees that will repay State investment.
- Cominco will guarantee to pay the operation and maintenance costs of the road and port facilities.

March 26, 1985

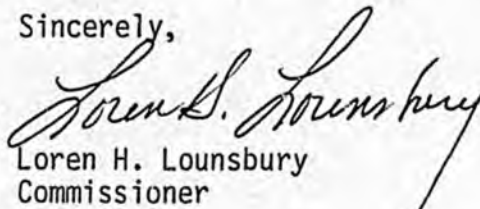
- Cominco also will guarantee minimum toll payments and other payments necessary to repay the State's investment if the mine is delayed or if production is suspended after operation commences.
- To the extent that the price of zinc should rise above a level presently contemplated to yield a reasonable profit, the State believes that it should be able to have its investment liquidated at an accelerated rate. This is a provision common to many loan agreements involving sizeable investments.

Additionally, NANA will guarantee to provide necessary land to accommodate reasonable expansion requirements for future users at the port site.

The State intends to hold Cominco and NANA to these guarantees, plus any other appropriate commitments, that may be identified by the contractor, Stanford Research Institute, who will produce the comprehensive financial plan.

With the ironclad assurances and guarantees in place, the Legislature, this session, has the opportunity not only to move the Red Dog Mine project forward in a timely manner but to assure potential consumers of Alaska's exports that the State is serious about developing its natural resources.

Sincerely,



Loren H. Lounsbury
Commissioner

LHL/sa0673s
31685d

cc: Ben Harding, Special Staff Assistant
Office of the Governor
Mary Nordale, Commissioner
Department of Revenue

Offered: 5/1/85
Referred: Rules

Original sponsor: Resources Committee

UP TO \$175 MILL
SRI SAYS \$100-145 MILL
BEST GUESS AT
THIS TIME
AIDA SAY THEY WON'T ISSUE
BONDS IN EXCESS OF NEED.

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

CS FOR SENATE BILL NO. 280 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued; and providing for an effective date."

7

8

9

10

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12

* Section 1. The Alaska Industrial Development Authority is authorized to issue bonds or notes in a principal amount not to exceed \$175,000,000 to provide financing for the DeLong Mountain transportation project.

13

14

15

* Sec. 2. Before bonds or notes authorized under sec. 1 of this Act may be issued, the Alaska Industrial Development Authority shall comply with AS 44.88.173 and shall incorporate into the final finance plan for the DeLong Mountain transportation project the following terms and conditions:

16

17

(1) Cominco, Ltd. is required to agree in writing that

18

19

(A) Cominco, Ltd. will pay for all or a portion of the operation and maintenance of facilities constructed as part of the project based on the use Cominco Alaska makes of the facilities compared to the use made by others;

20

21

22

(B) if Cominco Alaska ceases to develop the Red Dog Mine after costs have been incurred by the Alaska Industrial Development Authority for the project, Cominco, Ltd. will pay the authority for those costs together with interest from the date the costs were incurred;

23

24

25

26

27

28

(C) toll fees paid by Cominco Alaska for the use of

29

1 facilities constructed as part of the project to the Alaska Industrial
2 Development Authority may be periodically adjusted if the price of
3 zinc rises above a level that yields a return on investment commensurate
4 with risk;

5 (2) the United States government makes available land in the
6 Cape Krusenstern National Monument that is included in the proposed land
7 exchange with NANA Regional Corporation to the corporation for construction
8 of a transportation system;

9 (3) NANA Regional Corporation is required to agree in writing to
10 make available to the Alaska Industrial Development Authority, at no more
11 than fair market value, land needed for the port and road constructed as
12 part of the project and land needed for future expansion of the road and
13 port;

14 (4) tax exempt financing for the project is used to the maximum
15 extent possible;

16 (5) a toll schedule, that may be periodically adjusted, is
17 established for use of facilities constructed as part of the project that

18 (A) ensures a reasonable return on the state's investment
19 in the project; and

20 (B) guarantees equitable access to the facilities by all
21 users and potential users, including access to private property and
22 access for travel necessary and related to resource exploration and
23 development for which valid permits have been obtained and travel in
24 support of resource exploration and development;

25 (6) contracts for the construction of the port and road are
26 subject to AS 36;

27 (7) reasonable access to the port and road is guaranteed to all
28 users; *and NANA Regional Corporation US 015 -*

29 (8) the Alaska Industrial Development Authority will own and

1 operate the facilities collectively referred to as the DeLong Mountain
2 transportation project.

3 * Sec. 3. Before bonds or notes authorized under sec. 1 of this Act may
4 be issued, the Alaska Industrial Development Authority shall

5 (1) report in writing to the legislative budget and audit com-
6 mittee that the conditions under sec. 2 of this Act have been met; and

7 (2) agree with the Department of Revenue in writing to deliver
8 all money generated by the DeLong Mountain transportation project to the
9 Department of Revenue for deposit in the general fund, other than money
10 necessary for payment of the principal and interest on bonds or notes
11 issued under sec. 1 of this Act and except as may otherwise be provided in
12 the bond or note covenants.

13 * Sec. 4. As used in this Act, "reasonable return" means a rate of
14 return on the total investment of the state of at least five percent per
15 annum.

16 * Sec. 5. This Act takes effect July 1, 1985.

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

BILL SHEFFIELD, GOVERNOR

REPLY TO:

1031 W 4th AVENUE
SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 276-3550

1st NATIONAL CENTER
100 CUSHMAN ST.
SUITE 400
FAIRBANKS, ALASKA 99701
PHONE: (907) 452-1568

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

April 23, 1985

Hon. Arliss Sturgulewski
Alaska State Senate
Pouch V
Juneau, AK 99811

Re: Capitalization of the economic
development fund

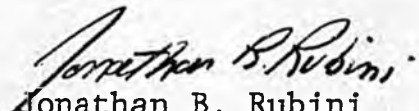
Dear Senator Sturgulewski:

We understand that a question was raised at the Friday, April 19 meeting of the Senate Resources Committee regarding whether an appropriation of loans from the general fund to the economic development fund (AS 44.88.172) poses constitutional concerns. We note that the legislature has on several earlier occasions capitalized loan funds through the appropriation of a loan portfolio, one of which occasions being the initial funding of the Alaska Industrial Development Authority. Similarly, loans and other instruments with income streams which extend beyond the immediate fiscal year have also been transferred through the appropriation process.

While we recognize that legal arguments can be advanced to the contrary, we believe that a court would likely conclude that an appropriation of loans to capitalize a statutory fund which implements a loan or grant program does not constitute an impermissible dedicated fund. With respect to the dedicated fund issue, we have previously advised that a revolving loan fund under which principal and interest repayments remain as assets of the revolving fund does not violate the dedicated fund prohibition. E.g., 1982 Op. Att'y Gen. #13 (Nov. 30). The capitalization of a statutory loan and grant program through the appropriation of a loan portfolio raises comparable legal issues, and we therefore believe the appropriation in question is constitutional.

Sincerely yours,

NORMAN C. GORSUCH
ATTORNEY GENERAL

By: 
Jonathan B. Rubini
Assistant Attorney General

Hon. Arliss Sturgulewski
Alaska State Senate
Re: Capitalization of loan funds

April 23, 1985
Page #2

JBR/pjg

cc: Members of the Committee

Terry Elder, Deputy Commissioner
Department of Commerce &
Economic Development

Bertram Wagon, Executive Director
Alaska Industrial Development Authority

MAY 03 1985

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: CSSB 280 (Resources)
 Title: DeLong Mountains Bond
 Authorization _____
 Sponsor: Senate Resources
 Requestor: Senate Finance
 Date of Request: April 30, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected:
Treasury

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
 Division: Treasury

Phone: 465-2350
 Date: May 1, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 5/2/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor _____
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Offered: 4/29/85
Referred: Finance

Original sponsor: Resources Committee

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE BILL NO. 280 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION
5 A BILL

6 For an Act entitled: "An Act relating to the authorization of bonds or
7 notes for the DeLong Mountain transportation project,
8 establishing conditions under which the bonds or
9 notes may be issued; and providing for an effective
10 date."

11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 * Section 1. The Alaska Industrial Development Authority is authorized
13 to issue bonds or notes in a principal amount not to exceed \$175,000,000 to
14 provide financing for the DeLong Mountain transportation project.

15 * Sec. 2. Before bonds or notes authorized under sec. 1 of this Act may
16 be issued, the Alaska Industrial Development Authority shall comply with
17 AS 44.88.173 and shall incorporate into the final finance plan for the
18 DeLong Mountain transportation project the following terms and conditions:

19 (1) Cominco, Ltd. is required to agree in writing that

20 (A) Cominco, Ltd. will pay for all or a portion of the
21 operation and maintenance of facilities constructed as part of the
22 project based on the use Cominco Alaska makes of the facilities com-
23 pared to the use made by others;

24 (B) if Cominco Alaska ceases to develop the Red Dog Mine
25 after costs or debts have been incurred by the Alaska Industrial
26 Development Authority for the project, Cominco, Ltd. will pay the
27 authority for those costs and debts together with interest from the
28 date the costs or debts were incurred;

29 (C) toll fees paid by Cominco Alaska for the use of

1 facilities constructed as part of the project to the Alaska Industrial
2 Development Authority may be periodically adjusted if the price of
3 zinc rises above a level that yields a return on investment commensurate
4 with risk;

5 (2) the United States government makes available land in the
6 Cape Krusenstern National Monument that is included in the proposed land
7 exchange with NANA Regional Corporation to the corporation for construction
8 of a transportation system;

9 (3) NANA Regional Corporation is required to agree in writing to
10 make available to the Alaska Industrial Development Authority, at no more
11 than fair market value, land needed for the port and road constructed as
12 part of the project and land needed for future expansion of the road and
13 port;

14 (4) tax exempt financing for the project is used to the maximum
15 extent possible;

16 (5) a toll schedule, that may be periodically adjusted, is
17 established for use of facilities constructed as part of the project that

18 (A) ensures a reasonable return on the state's investment
19 in the project; and

20 (B) guarantees equitable access to the facilities by all
21 users and potential users, including access to private property and
22 access for travel necessary and related to resource exploration and
23 development for which valid permits have been obtained and travel in
24 support of resource exploration and development;

25 (6) contracts for the construction, operation, and maintenance
26 of the port and road are subject to AS 36;

27 (7) adequate access to the port and road is guaranteed to all
28 users.

29 * Sec. 3. Before bonds or notes authorized under sec. 1 of this Act may

1 be issued, the Alaska Industrial Development Authority shall
2 (1) report in writing to the legislative budget and audit com-
3 mittee that the conditions under sec. 2 of this Act have been met; and
4 (2) agree with the Department of Revenue in writing to deliver
5 all money generated by the DeLong Mountain transportation project to the
6 Department of Revenue for deposit in the general fund, other than money
7 necessary for payment of the principal and interest on bonds or notes
8 issued under sec. 1 of this Act and except as may otherwise be provided in
9 the bond or note covenants.
10 * Sec. 4. This Act takes effect July 1, 1985.

A M E N D M E N T #1

u c

Offered in the SENATE

TO: CSSB 280(Fin)

by Halford and Ferguson

Page 1, line 17

After "plan" insert "and agreement"

Page 2, line 9-10

After "to" delete "make available" and insert "sell,
lease for a prepaid term of at least 99 years or grant
a perpetual easement"

Page 2, line 13

After "port" delete ";" and insert ",subject to
no terms or conditions inconsistent with use as
a public road and port."

SENATE AMENDMENT

#2 UC

By SENATOR VIC FISCHER *1929*

To: CS SB 280 (Fin) SENATE BILL No. 280

To: _____ HOUSE BILL No. _____

Page 2, line 18

PAGE: 2 LINE: 18

after "insures" add:

"full repayment of and"

SENATE AMENDMENT

Replace #3 with 41

By Coghill Ferguson

To: ~~CSB 200~~ SENATE BILL No. CSB 200

To: _____ HOUSE BILL No. _____

PAGE:

LINE:

2

28

after users, ^{Delite";} ADD "and ^{RE}Potential users;"

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

BILL SHEFFIELD, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
POUCH SB
JUNEAU, ALASKA 99811
PHONE:

April 19, 1985

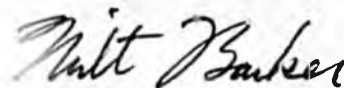
The Honorable Arliss Sturgulewski
Chairman
Senate Resources Committee
Alaska Senate
Pouch V
Juneau, AK 99811

Dear Senator Sturgulewski:

During hearings on HB 105 in the House Special Committee on Loans, the chairman asked what impact there would be on State debt capacity as a result of authorizing Alaska Industrial Development Authority to issue bonds for the DeLong Mountains transportation project. In response, the Department of Revenue offered testimony substantially as contained in the attached letter to Chairman Sund.

The Department is providing you with a copy of this letter in anticipation that you or your committee may have similar questions as a result of your consideration of SB 280.

Sincerely yours,



Milt Barker
Deputy Commissioner

MB/gb
85-85

Enclosure

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF REVENUE

TREASURY DIVISION

ELEVENTH FLOOR
STATE OFFICE BUILDING
POUCH SB
JUNEAU, ALASKA 99811
PHONE:

April 19, 1985

The Honorable John Sund
Chairman
Committee on Loans
Alaska State House
Pouch V
Juneau, AK 99811

Dear Representative Sund:

At the request of your staff, I would like to offer the Department of Revenue's comments on the effect debt issuance by Alaska Industrial Development Authority (AIDA) for the DeLong Mountains transportation project would have on State general obligation bond debt capacity.

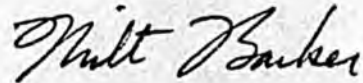
Issuance of this debt would have no direct effect on the State's debt capacity. The AIDA debt would be secured by project revenues and assets of the economic development fund. The full faith and credit of the State would not be pledged to the project nor would debt service on the bonds be paid by future appropriations from the general fund. As a result, the debt will not be counted as State debt along with general obligation bonds and lease financing by the rating agencies or bondbuyers.

Only in the event that the project were partially or substantially completed, yet no mining ever occurred, Cominco failed to honor its pledge to pay back State costs, and the State decided to assume responsibility for the debt even though it had no legal obligation to do so, would the debt become State debt and thereby diminish State debt capacity for other purposes. Such diminution would be mitigated to some extent by available cash flow from the proposed loan appropriations or possibly by some degree of project revenues if intermittent or marginally profitable mining operations were to occur.

Hon. John Sund
April 19, 1985
Page 2

On the other hand, if the project proves successful, additional State revenues from corporate income taxes, mining license taxes, and possibly excess tolls and other sources would add to the State's debt capacity, as well as provide other financial benefits.

Sincerely yours,



Milt Barker
Deputy Commissioner

MB/gb
85-84

cc: Mary A. Nordale

PROPOSED AMENDMENTS TO SB 280 (Resources)

Amendment #1

Page 1, Line 25 After the word "costs" delete "or debts".

Page 1, Line 27 After the word "costs" delete "and debts".

Page 1, Line 28 After the word "costs" delete "or debts".

Amendment #2

Page 2, Line 25 After the word "construction" delete ", operation, and maintenance".

Amendment #3

Page 2, Line 27 Delete the word "adequate" and insert "reasonable".

Amendment #4

Page 2, Line 28 Insert new subsection "(8) The Alaska Industrial Development Authority will own and operate the facilities collectively referred to as the DeLong Mountain transportation project."

Amendment #5

Page 2, Line 10 Insert new Section 4 "Definitions (a) Reasonable return means a rate of return on the state's total investment of at least five percent."

Re-number remaining section accordingly.

Red Dog

MEMORANDUM

State of Alaska

TO: Arliss Sturgulewski
Chairperson
Senate Resources Committee

DATE: March 26, 1985

FILE NO: 85I-170

TELEPHONE NO: 465-3568

FROM: Jack Fagnoli *JF*
Senior Analyst
Division of Strategic Planning
Office of Management and Budget

SUBJECT: Red Dog Mine - Royalty
Payment Distribution
Likely Under ANCSA 7(i)

This memorandum summarizes the information that the Office of Management and Budget (OMB) presented yesterday before the Senate Resources Committee, regarding the effects of Section 7 (i) of the Alaska Native Claims Settlement Act (ANCSA) on the distribution of potential Red Dog Mine royalty payments among Alaska Native corporations.

The attached table, "RED DOG MINE ROYALTY PAYMENTS - PROBABLE DISTRIBUTION UNDER ANCSA 7 (i)", shows the percentage of total royalty payments from Cominco to NANA that each Native corporation would be likely to receive after redistribution under the allocation provisions of ANCSA 7 (i). Section 7 (i), as you are aware, requires that any royalty payments to NANA from Cominco due to Red Dog Mine operations would have to be shared with all other regional Native corporations. While the actual dollar amounts likely to be involved in such a distribution are uncertain, as discussed below, OMB feels that the percentage distribution shown in the table is highly probable.

As indicated yesterday in testimony before the Senate Resources Committee, OMB has chosen not to estimate possible ANCSA 7 (i) dollar flows for the Red Dog Mine project at this point, because the magnitude of such dollar flows will largely be determined by the extent of any financial participation in the project by the State of Alaska.

That notwithstanding, one level of possible dollar amounts is shown in the attached table, solely to present a reference point for the order of magnitude of royalty payments that could result from Red Dog operations. The amounts shown are based on an estimate provided by Cominco on March 6, 1985, and reflect Cominco's estimate that an average of approximately \$30 million per year (1985 dollars) for thirty years will be paid in royalties to NANA, and then subsequently be redistributed to NANA and the other regional Native corporations under ANCSA 7(i). The estimate of \$30 million per year in royalty payments itself rests on Cominco's assumption in this scenario that the State would provide \$150 million in revenue bonding for the road and port infrastructure, with Cominco repaying the

The Honorable
Arliss Sturgulewski

-2-

March 26, 1985

State approximately \$260 million (nominal dollars) through user fees over a 30-year period.

If additional information is needed on this or any other topic, please don't hesitate to contact me or Alan Shelly at 465-3568.

cb/85-170

Attachment

cc: Laurie Herman
Executive Assistant
Office of the Governor

Terry Elder
Deputy Commissioner
Department of Commerce and Economic Development

Before TAXES

RED DOG MINE ROYALTY PAYMENTS,
PROBABLE DISTRIBUTION UNDER CSA 7(i)

<u>Regional Native Corporation</u>	<u>Probable Share (Percent)</u>	<u>Possible Avg.* Annual Amount (1985 Dollars x 1,000)</u>
Ahtna	1.4%	\$ 300.0
Aleut	4.4	923.3
Arctic Slope	5.0	1 050.0
Bering Straits	8.5	1,786.7
Bristol Bay	7.3	1,533.3
Calista	18.0	3,780.0
Chugach	2.6	546.7
Cook Inlet	8.4	1,766.7
Doyon	12.2	2,566.7
Koniag	4.5	946.7
NANA	6.5	1,366.7**
Sealaska	21.1	4,433.3
 	<hr/>	<hr/>
TOTAL:	99.9%	\$21,000.0/yr. (avg.)

* Cominco estimate as of 3/6/85. Assumes \$150 million in revenue bonding by State for infrastructure, and repayment of approximately \$260 million (nominal dollars) by Cominco through user fees over 30 years.

** In addition to Cominco estimate of \$9 million (1985 dollars) that NANA would receive annually (avg.) as its allowable 30% of gross royalty payments, assuming State participation and Cominco repayment as above.

Source: Office of Management and Budget

**DEPARTMENT OF COMMERCE &
ECONOMIC DEVELOPMENT.**

OFFICE OF THE COMMISSIONER

7TH FLOOR FRONTIER BLDG.
3601 C STREET, SUITE 722
ANCHORAGE, ALASKA 99503
PHONE: (907) 562-2728

RESOLUTION OF INTENT

WHEREAS, the State of Alaska encourages the diversification of the Alaska economic base through the development of mineral resources; and

WHEREAS, the State of Alaska supports economic development in Alaska and the expansion of regional job opportunities; and

WHEREAS, the State of Alaska recognizes that the lack of transportation facilities in Northwest Alaska poses an economic barrier to the attainment of economic development; and

WHEREAS, the Alaska Department of Commerce and Economic Development is the principal state department responsible for facilitating economic development in all regions of the state; and

WHEREAS, Cominco, Alaska, a division of Cominco, American is considering the development of the Red Dog mineral deposit in the DeLong Mountains area; and

WHEREAS, other mineral resources have been identified in the area near the Red Dog mineral deposits; and

WHEREAS, the Alaska Department of Commerce and Economic Development, in a report entitled Red Dog Project Analysis, identified substantial regional benefits in the event that the DeLong Mountains transportation project is developed; and

WHEREAS, the projected cost of the development of the Red Dog mineral site, excluding the cost of developing transportation facilities, is estimated to be \$290 million (in 1985 dollars); and

WHEREAS, the projected cost of the transportation facilities is estimated to be \$152 million (in 1985 dollars); and

WHEREAS, the lack of available transportation facilities near the mineral deposit may substantially delay private development of the Red Dog mineral deposit; and

WHEREAS, it is contrary to the best interests of the state for there to be a substantial delay in the development of the DeLong Mountains mineral resources and, in particular, in the development of the Red Dog mineral deposit; and

WHEREAS, the transportation facilities which, among other public purposes, would be used in conjunction with the development of the Red Dog mineral deposit are collectively referred to as the DeLong Mountains transportation project; and

WHEREAS, the Alaska Industrial Development Authority (AIDA), a public corporation of the State of Alaska has authority under Alaska Statutes Title 44, Chapter 88, to participate, either independently or in conjunction with a private developer, in the financing and development of public transportation facilities such as the DeLong Mountains transportation project;

NOW THEREFORE BE IT RESOLVED that Cominco, Alaska and the Alaska Department of Commerce and Economic Development, on behalf of the State of Alaska, agree to the following STATEMENTS OF INTENT:

1. The State of Alaska supports ongoing efforts by the Alaska Industrial Development Authority to examine the feasibility of AIDA financing of the DeLong Mountains regional transportation project.

2. The parties recognize and support AIDA's intent to promptly execute all necessary professional services contracts, including a contract with a firm nationally recognized in the field of financial planning, to assist in the preparation of the financial plan required pursuant to AS 44.88.173.

3. If AIDA participates in the financing of the DeLong Mountain transportation project, the parties agree that AIDA and Cominco, Alaska will enter into an agreement which will provide, ^{including a fee schedule} inter alia, for the establishment of equitable user fees payable to AIDA in an amount sufficient to enable AIDA to repay amounts loaned by the state to AIDA; and for the refunding of certain state expenditures in the event that Cominco, Alaska decides not to proceed with the development of the Red Dog mineral deposit.

✓ 4. The State of Alaska states its intent to submit appropriate funding requests to the Alaska legislature in support of the DeLong Mountain transportation project.

5. The State of Alaska and Cominco, Alaska recognize that this Resolution of Intent does not limit or otherwise affect AIDA's Board of Directors' independent judgment with respect to AIDA's participation in the DeLong Mountain transportation project, nor does this Resolution of Intent limit or otherwise affect the independent judgment of the Alaska legislature upon its consideration of funding requests.

Date:


Dec 18/1984

Date:

Dec 17, 1984



H. M. Giegerich, President
Cominco, Alaska



Richard A. Lyon, Commissioner
Department of Commerce and
Economic Development.

SECTIONAL ANALYSIS FOR SENATE BILL 280

An Act relating to the authorization of bonds or notes for the DeLong Mountain transportation project, establishing conditions under which the bonds or notes may be issued

Section 1

Authorizes the Alaska Industrial Development Authority to issue bonds or notes in an amount not to exceed \$175 million to provide financing for the DeLong Mountain transportation project.

Section 2

This sections requires that before AIDA can sell bonds, it must develop a financing plan for the DeLong project which requires of Cominco Limited the following terms in writing:

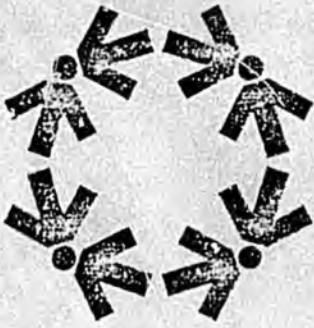
- 1) All operation and maintenance costs of the road and port are to be paid by Cominco unless other make use of these facilities.
- 2) Should Cominco cease to develop the Red Dog Mine, they will repay AIDA for all costs including interest incurred in building the road and port.
- 3) Toll fees for use of the road and port may be adjusted upward if the price of zinc rises
- 4) Use of tax exempt financing shall be maximized
- 5) A toll schedule shall be established which ensures a reasonable return for the state's investment as well as guaranteeing equitable access for other users.
- 6) Contracts for the construction, operation and maintenance are subject to the Davis-Bacon Act.
- 7) Adequate access to the port and road is guaranteed to all users

Section 3

Before AIDA may offer the bonds or notes for sale, it must report to the Legislative Budget and Audit Committee whether the conditions stipulated in Section 2 have been met. It must agree in writing that any excess funds generated by this project over and above the cost of repaying the bonds shall be deposited in the general fund.

Section 4

Effective date of July 1, 1985.



ALASKA PUBLIC INTEREST RESEARCH GROUP

Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3661

RED DOG ROAD AND PORT FACTSHEET

The Alaska Industrial Development Authority (AIDA) with the support of the Administration, is pushing for an \$18 million appropriation to AIDA's Economic Development Fund, along with a commitment of the interest and principal on \$142 million of the State's loan portfolio. This commitment will become collateral for a bond issue of \$175 million for actual road and port construction.

Over the past year, the estimated cost of the project has risen from \$135 million to \$193 million, an increase of 42%. The level of direct state subsidy increase from \$40.1 million to \$65 million between February, 1984 and February, 1985. Current options include direct subsidies of up to \$90 million. If no appropriation is made, the State will provide a \$15 million subsidy to the project through tax breaks already on the books.

When the legislature gave AIDA authority to develop and own projects such as the proposed road and port, it required that AIDA produce a Finance Plan for the legislature and the governor, laying out financing options. AIDA is specifically required to seriously consider those options requiring the least state involvement.

Although the legislature is being pressed to fund the project now, before the money runs out, the conclusions of the Finance Plan will not be available until next August at the earliest. In the meantime, the legislature is considering a \$142 million loan appropriation and \$175 million bond authorization based on a series of "finance options" assembled in less than 24 hours.

The Alaska Public Interest Research Group feels that the DeLong Mountain Regional Road and Port Facility is a poorly planned project, based on inadequate financial backup and nonexistent investment criteria. Given the State's other pressing needs and declining revenues, the project should not be funded this year.

If the legislature chooses to invest in the Red Dog road and port project, it should protect Alaskans' interests by:

*Limiting the extent of the State's direct subsidy to the initial appropriation of \$18 million;

*Requiring Cominco/NANA and any other future users to repay the principal and interest of a market value state loan from AIDA;

*Requiring Cominco/NANA and any other future users to cover operation and maintenance costs of the project;

*Requiring AIDA to return to the General Fund any toll payments beyond those necessary to repay the debt service and secure outstanding bonds;

*Putting a time limit on the project: if conditions are not met by March 15, 1986, the bond authorization lapses.



Official Business

Alaska State Legislature

House

APR 19 1985

Pouch V
State Capitol
Juneau, Alaska 99811

April 17, 1985

Senator Arliss Sturgulewski
Pouch V
Juneau, Alaska 99811

Dear Arliss:

On April 10 I wrote to you about the fact that I had not received a reply from Cominco to questions I had asked for on February 12.

Cominco did reply to my Anchorage address. I have it in hand now and it is enclosed for your information.

Yours truly,

A handwritten signature in cursive script, appearing to read "Marco".

Marco A. Pignalberi
State Representative

MAP:mk

Enclosure

cc: Senator Tim Kelly
Senator Rick Halford
Senator Fred Zharoff
Representative John Sund

APR 15 1985



H M Giegerich
President & General Manager

Representative Marco A. Pignalberi
6712 Lunar Drive
Anchorage, Alaska 99504

March 8, 1985

Dear Representative Pignalberi:

I would like to apologize for taking so long to supply the information that you requested during our meeting in Juneau on February 12. My only excuse is press of work and lack of time. I have spent most of the intervening period on airplanes.

We certainly appreciated the opportunity to meet with you and the Anchorage caucus, to discuss our Red Dog Project. I consider that the exchange of views was very worthwhile, and I think that we were able to better appreciate your thoughts and concerns.

During the discussions, I gave you some estimated figures in regard to Cominco's return on investment under different financing alternatives, and I indicated that these would be confirmed. I am now pleased to do this, and will compare these with my estimates, which have turned out to be both optimistic and pessemistic.

The first alternative assumes that Cominco puts up the entire \$400 million investment. Using current metal prices, the return on investment (R. O. I.) would be 7.8% (My estimate was 6.0%). With Cominco's forecast prices, the R.O.I. increases to 13% (My estimate was 10%).

If the State finances the \$150 million cost of the transportation system, and this financing is repaid as proposed by Cominco, the R. O. I., using current metal prices, increases to 9.6%, and to 16% (My estimate was 18%) with Cominco's forecast prices.

You also requested information in regard to the State's return on its investment. Assuming a State investment of

Rep. Pignalberi

-2-

March 8, 1985

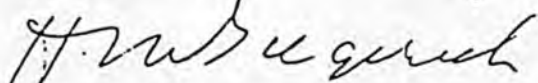
\$150 million, to be repaid by a toll fee of \$260 million over 30 years, this is a return on investment (on a discounted cash flow basis) of 4.3%. Adding in the estimated direct taxes to the State of \$360 million during the same 30 year period (for a total of \$620 million) the R.O.I. is increased to 12.8%. And it should be stressed that these taxes are a direct result of income generated by Red Dog and will be achieved only if Red Dog is put into production.

One further item should be considered. In early 1984, at Governor Sheffield's request, a study of the Red Dog Project was carried out by a Task Force from the key State agencies, including CED, CRA, Revenue, DOT/PF and DNR. One portion of this report studied the economic effect of Red Dog on the State, and identified a significant reduction in transfer payments from the State to the NANA region, amounting to about \$1.5 million per year, or more than \$40 million over 30 years.

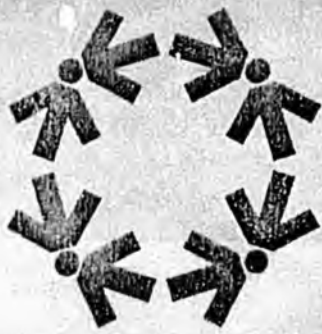
This reduction in State expenditures can also be directly attributed to Red Dog. When this is added to the previous \$620 million, the R.O.I. on the State investment of \$150 million becomes 13.7%. So it can be seen that the Red Dog transportation system is truly an economic investment for the State.

If there is any other information on Red Dog, or Cominco, that would be of assistance to you, please do not hesitate to contact me.

Yours truly,



H. M. Giegerich
President and General Manager



ALASKA PUBLIC INTEREST RESEARCH GROUP

Post Office Box 1093/Anchorage, Alaska 99510/(907) 278-3661

Proposed Amendments to SB 280

Section 1. (1) (c) Cominco, Ltd. will repay all expenditures (market rate interest and principal) by the State for the project through toll fees paid beginning the year of project completion for the use of facilities constructed as part of the project; (and other payments;)

Section 1. (2) The United States Congress approves the Cape Krusenstern National Monument land exchange between NANA Regional Corporation and the United States Dept. of Interior or a right of way as authorized by Title 11 of ANILCA:

Section 1. (3) NANA Regional Corporation agrees in writing to convey to the Alaska Industrial Development Authority, (at no more than fair market value,) at no cost, land needed for the port and road constructed as part of the DeLong Mountain transportation project and land needed for future expansion of the road and port;

Section 1. (5) the Alaska Industrial Development Authority obtains a ruling from the Internal Revenue Service that all bonds or notes issued under this section will qualify for tax exempt status; (and;)

Section 1. (6) the Alaska Industrial Development Authority establishes a toll schedule for use of facilities constructed as part of the DeLong Mountain transportation project that minimizes the cost to the State of (ensures the greatest return on the state's investment in) the project and guarantees equitable access to the facilities by all users; the toll schedule may be periodically adjusted.

Section 1. (7) the Alaska Industrial Development Authority ensures that Cominco and any other future users will pay all operation and maintenance of facilities constructed as part of the project, on a pro rata basis:

Section 1. (8) the Alaska Industrial Development Authority agrees to limit the present value of the direct subsidy to the project to \$18 million:

Section 1. (9) the Alaska Industrial Development Authority agrees to turn over any funds not necessary for bond security or construction of the authorized project to the general fund as they become available:

Section (2). If the Alaska Industrial Development Authority does not issue bonds for the project by March 15th, 1986, this bond authorization lapses.

Background Materials on the Dedication Clause

Prepared by

Philip S. Barnett, Law Associate, Sierra Club
Legal Defense Fund, Inc.

April 16, 1985

Article IX, § 7, of the Alaska Constitution, the dedicated funds clause, provides as follows:

The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

In State v. Alex, 646 P.2d 203 (Alaska 1982), the Alaska Supreme Court held that the application of the clause should not be limited to taxes and licenses. The Court observed that in a draft at the Constitutional Convention, the prohibition against dedication was applied to "all revenues." After a review of the history of the Convention, the Court held that the change from the draft to the final version was not intended to have significant consequences. Rather, "the purpose of the proposed amendment was to allow for the setting up of certain special funds." Id. at 210. All other dedications were intended to be prohibited.

The "certain special funds" mentioned in Alex are easily identified, for they were expressly referred to during the Constitutional Convention. Specifically, they are pension contributions, proceeds from bond issues, sinking fund receipts, revolving fund receipts, contributions from local government units for state-local cooperative programs, and tax receipts which the state might collect on behalf of local government units. See 1982 Alaska Op. Atty. Gen. No. 13 at 10-11.

The loans that will be used to capitalize the road and port do not fit within one of the exempt "certain special funds." Therefore, they cannot be dedicated.

WORK ORDER REQUEST FORM

N14 - 1052

KEYWORDS: bonds/bonding
transportation

ASSIGNED TO Cook

REQUEST FOR: BILL RESOLUTION RESEARCH OTHER

SUBJECT Bond authorization - Delong Mountain transp. project

REQUESTED FOR Sen. Sturgilewski BY Homan EXT. _____

* DELIVER TO Sen. Sturgilewski TAKEN BY Cook

INSTRUCTIONS, EXPLANATIONS As attached, draft bond authorization for the Delong Mountain transportation project.

OBTAIN

SPECIAL DRAFTING INSTRUCTIONS ATTACHED

AUTHORIZED TO CONFER WITH _____

RETURN _____

_____ TO REQUESTER

APPROVED: DGE Director, Legal Services

REVIEWED _____

IN 04/05/85 DUE _____

TYPED - Draft _____ DATE _____

Final _____ DATE _____

PROOFED _____ DELIVERED _____

SPECIAL INSTRUCTIONS TO TYPIST/PROOFREADER

DRAFT

FINAL