

**H C R**

**6**

# HOUSE COMMITTEE REPORT

(9)

Date Referred: January 20, 1989

FURTHER REFERRALS:

Date of Committee Action: 1-31-89

The RESOURCES Committee recommends that:

HOUSE CONCURRENT RESOLUTION NO. 6 [COAL MINING AT WISHBONE HILL]  
Supporting the development of coal mining at Wishbone Hill.

- [ ] be replaced with \_\_\_\_\_ [ ] the same title  
[ ] have attached amendment(s) [ ] a new title
- do pass  
[ ] do not pass  
[ ] no recommendation  
[ ] individual recommendations  
[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- [ ] fiscal impact  
 zero fiscal note  
[ ] zero with analysis

APPROVES PREVIOUS:

- [ ] fiscal note(s) published:  
\_\_\_\_\_  
[ ] zero fiscal notes(s) published:  
\_\_\_\_\_

SIGNING DO PASS:

SIGNING OTHER THAN DO PASS:  
(Do Not Pass, No Recommendation, Amend)

Richard J. Jolley  
Bob J. Sharp  
Bill Hudson  
Mike Davis  
Mike  
Sam M. Munn  
Mike Hannon  
Cliff Davidson

Walt Furnace No Rec  
B  
Mike Hannon - NO REC

Sam M. Munn  
Chairman's signature  
Co-Chair

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: Supporting the development  
of coal mining at Wishbone Hill  
Sponsor: Menard, Larson, Zawacki, Gruenberg  
Requestor: House Resources Committee

Agency Affected: Department of Natural Resources  
BRU: \_\_\_\_\_  
Components: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

**POSITIONS:**

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

**ANALYSIS : (Attach a separate page if necessary)**

Prepared by: Representative Curt Menard *CLM* Phone: 465-4944  
Division: Co-Chair, House Resources Committee Date: 1/31/89

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(s)

**FISCAL NOTE**

**REQUEST:**

Revision Date: 2/15/89 Dept. Revenue  
 Title: Relating to export of Alaska Oil Agency Affected: \_\_\_\_\_  
 BRU: \_\_\_\_\_  
 Sponsor: M. Davis, Koponen, Navarre, Gruenberg Components: \_\_\_\_\_  
 Requestor: House Resources Committee

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>		-0-	-0-	-0-	-0-	-0-

<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
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<b>REVENUE</b>	-0-	-0-	-0-	-0-	-0-	-0-
----------------	-----	-----	-----	-----	-----	-----

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>		-0-	-0-	-0-	-0-	-0-

**POSITIONS:**

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

**ANALYSIS : (Attach a separate page if necessary)**

\_\_\_\_\_

Prepared by: Co-Chairman Davidson Phone: 465-2487  
 Division: House Resources Committee Date: 2/16/89

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

## BRIEFING PAPER

WISHBONE HILL COAL DEVELOPMENT/  
GLENN HIGHWAY IMPROVEMENTS  
MILEPOST 35-56

January 31, 1989

A reconnaissance study which evaluated the Glenn Highway improvements related to the development of the Wishbone Hill Coal Mine was forwarded to the mine developers on December 21. A meeting was held on January 12 between representatives of McKinley Mining Consultants, Idemitsu Kosan Co. Ltd., Alaska Industrial Development and Export Authority, and the department to discuss these improvements and the mine development. This meeting was very positive and a close working relationship is anticipated between the mine developers and the department. At the present time, this proposed coal mine development appears to be viable and proceeding in a manner which indicates the project will begin operation in late 1991 as proposed by the developers.

A meeting between the department and the FHWA was held on January 23 and 24 to review and conduct a field survey of the Glenn Highway improvements associated with this coal mine. The cost estimate for the Glenn Highway safety and capacity improvements desirable to accommodate the coal haul operation associated with this mine development is estimated to range between \$9-10 million. If a decision is made to proceed with the development of the Glenn Highway improvements on a schedule corresponding to the extent possible with the beginning of coal haul operations in mid to late 1991, the highway improvement construction phase funding should be programmed in FFY'90 or FFY'91.

Other projects which may need to be delayed to accommodate this funding change should be identified, reviewed and tentatively approved prior to meeting with the mine developers to conceptually agree on a course of action for financing and scheduling the highway improvements. The next meeting with the mine developers on this project is proposed for the middle of February to achieve conceptual agreement on financing and scheduling road improvements. We expect to know by this meeting what aspects of the Glenn Highway improvements associated with this proposed coal haul activity the FHWA is willing to participate in financing.

By late February, Central Region will have recommendations developed regarding the budget adjustments necessary to accommodate the inclusion of the Glenn Highway improvements associated with this project. Prior to formalizing any budget modifications to accommodate these highway improvements, an agreement regarding cost sharing needs to be approved by the department and the mine developers. Once agreement has been reached between the department and the mine developers and Central Region's recommended budget modifications have been reviewed and approved by the Commissioner, the necessary CIP budget adjustment documents will be forwarded for inclusion in the Governor's budget. This is expected to be accomplished by early March.

The following schedule summarizes the actions anticipated in the immediate future to address the Glenn Highway improvements:

Briefing Paper  
Page 2

- January 23-24 Meeting with FHWA to review the proposed highway improvements.
- Early February Central Region develops draft budget modifications for the Commissioner's review to accommodate the highway improvements.
- Mid-February Meet with mine developers to achieve conceptual agreement on financing highway improvements.
- Early March Formal agreement on highway improvement financing developed and approved by the department and the mine developers.
- Early March Budget modifications forwarded to the Governor's Office.

RM:kc

A M E N D M E N T

OFFERED IN THE HOUSE

BY MENARD

TO: HCR 6

Page 2, line 4:

After "operation"

Insert "; and be it

FURTHER RESOLVED that the legislature urges the Alaska Railroad to continue in its cooperation with Idemitsu Kosan, Ltd. in the development of a reasonable transportation tariff"

We have examined the roadway in light of what would be appropriate and feasible to do, and with regard to the traffic levels that are anticipated, with and without the Wishbone Hill project.

Since these demands would be significantly different depending on whether the roadway is used for truck haul of Wishbone Hill Coal in addition to the normal traffic placed on it, we have shown features due to the Wishbone Project separately. We assume legal loads are used.

The primary areas of our concern are:

1. Safety
2. Structural integrity
3. User convenience and costs
4. Construction contained within existing right of way.

The scope of the proposed improvements is limited to the existing R/W in order to accomplish the work before the Wishbone Hill development would begin using the road to haul coal.

A description of what exists, proposed improvements, and their estimated cost follows:

SEGMENT 1 - Parks to Old Glenn Intersection in Palmer.

The existing roadway was constructed in 1966-70. A 60 mph design speed was used. The pavement is 40 feet wide. A resurfacing project is scheduled for 1991. Due to a change of design standards for stopping sight distance (SSD), one vertical curve within the portion that would be used for coal haul does not have the desired SSD.

It is proposed that this vertical curve be regraded, and that the pavement be overlaid with 3" HBP, throughout the entire segment.

This work is estimated to cost:

Regrading	\$500,000.00
Overlay	<u>\$1,235,000.00</u>
Total	\$2,035,000.00

-7-

Additional work that would be required by the coal haul traffic in this segment:

2" more pavement in the regraded section.

Construction of an intersection at the railroad coal loading site access.

This work is estimated to cost:

Extra Pavement:	\$75,000.00
Intersection:	\$265,000.00
Total	\$340,000.00

SEGMENT 2 Old Glenn Intersection in Palmer to Buffalo Mine Road (BMR).

The existing roadway was constructed in the 1940's and 1950's. The pavement is approximately 24' wide. With the exception of one curve, the horizontal alignment meets current 60 mph standards. The vertical alignment is defective in providing adequate SSD in a number of locations.

It is proposed that this roadway be reconstructed, to meet required SSD, and to provide shoulders.

That portion of the segment from Old Glenn Intersection to Fishhook-Willow Road (FWR) would be reconstructed to a 55 mph design speed. A Northbound climbing lane would be provided for this entire portion. The pavement width would provide for: 4' Southbound shoulder, 2-12 lanes, 1-12 climbing lane, 4' Northbound shoulder, for a total width of 44'.

This portion of the segment would serve as a frontage road when the Parks to MF 109 project is built.

The remaining part of the segment, from FWR to BMR, would be built to a 60 mph design speed, with the exception of the horizontal curve at sta. 1770±, which would require a waiver to a 55 mph design speed. Two 12' driving lanes and two 8' shoulders would be provided, for a pavement width of 40'.

The existing right of way from the beginning of segment 2 through Section 9 (approximately one half mile before BMR) is a minimum of 100' wide, 50' each side of centerline. This width is adequate to contain the proposed facility. The width of right of way in the remainder of Segment 2 is variable, based on prescriptive use.

-4-

This variable width segment could be used to transition to the existing facility, or 100' right of way could be acquired. Cost of the 3.6 Acres of right of way is estimated to be \$10,000.00.

Maximum realignment consistent with existing R/W would be done at the wind erosion area near sta.1680± (FWR).

Most of this portion of the segment would serve as mainline when the Parks to MP 109 project is built. At that time the curve at sta.1770± would be rebuilt to 60 mph standards.

The Segment 2 reconstruction is estimated to cost \$3,500,000.00.

Additional work that would be required by the coal haul traffic in this segment:

2" more pavement in the entire segment to provide structural strength required for coal haul.

This work is estimated to cost \$1,100,000.00.

#### SEGMENT 3 BMR to Wishbone Hill Access Intersection.

The existing roadway was constructed in the 1940's and 1980's. The pavement is approximately 24' wide. Horizontal curves are as sharp as 19 degrees. Grades exceed 7.5%.

These elements are consistent with a design speed of about 30 mph.

Due to the constraints imposed by the existing R/W, alignment reconstruction to a currently accepted design speed is not possible. This roadway will connect to the existing wayside when the Parks to MP 109 project is built. Consequently capital expenditure on this segment would be attributable to safety under the coal haul traffic.

It is recommended that an intersection be constructed at the mine access road. Usable paved shoulders at least four feet wide should be provided, requiring a paved width of 32'. A Southbound climbing lane should be provided at Moose Creek Hill.

This work is estimated to cost about \$2,000,000.00. Upon more precise definition of the work to be performed in this segment the estimate should be refined.

**COST SUMMARY**

**A. Without Wishbone Hill**

Segment 1	\$2,025,000.00
Segment 2	3,600,000.00
Segment 3	0.00
<b>TOTAL</b>	<b>\$5,625,000.00*</b>

**B. Wishbone Hill Features**

Segment 1	\$ 340,000.00 *
Segment 2	1,100,000.00 *
Segment 3	2,000,000.00
<b>TOTAL</b>	<b>\$3,440,000.00</b>

**C. Combined Cost**

Segment 1	\$2,375,000.00
Segment 2	4,700,000.00
Segment 3	2,000,000.00
<b>TOTAL</b>	<b>\$9,075,000.00</b>

**GRAND TOTAL**                      **\$9,075,000.00**

\* FHWA Eligible

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TYPICAL SECTIONS

Typical sections on each section of the Glenn Highway discussed in this study are found in Appendix H, Plan & Profile Sheets, Sheet #2.

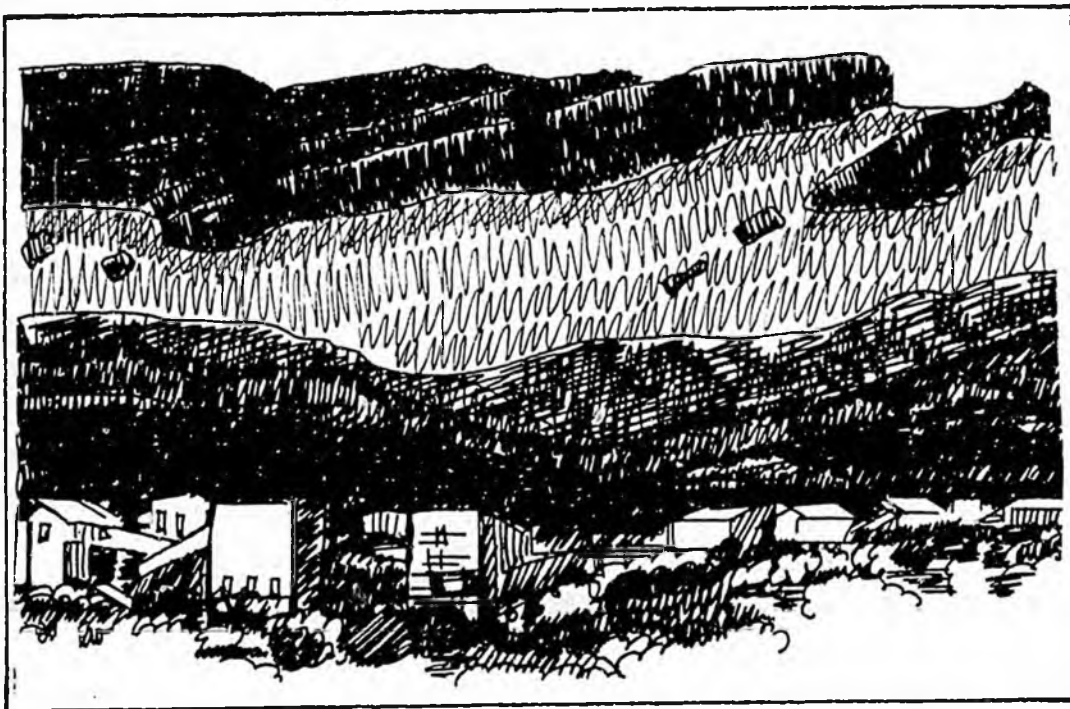
BRIDGES

There is only one bridge structure present in the study area. This is located at Moose Creek (Milepost 54.7). No widening is proposed for this existing 24 foot wide bridge.

ENVIRONMENTAL ANALYSIS

The Department of Transportation and Public Facilities Environmental Section conducted a quick review of the project and expressed their opinion of environmental concerns and permit requirements. This written opinion is included in Appendix F.

Matanuska-Susitna Borough  
CAPITAL IMPROVEMENT PROGRAM  
FY '90



*Wishbone Hill  
Coal Project*

MATANUSKA-SUSITNA BOROUGH  
CAPITAL IMPROVEMENT PROGRAM  
FY90

-- WISHBONE HILL COAL MINE --

Fred Lloyd  
Assemblyman

Eleanor Malapanes  
Assemblyman

Norm Levesque  
Assemblyman

Theodore Smith  
Assemblyman

Dorothy A. Jones  
Mayor

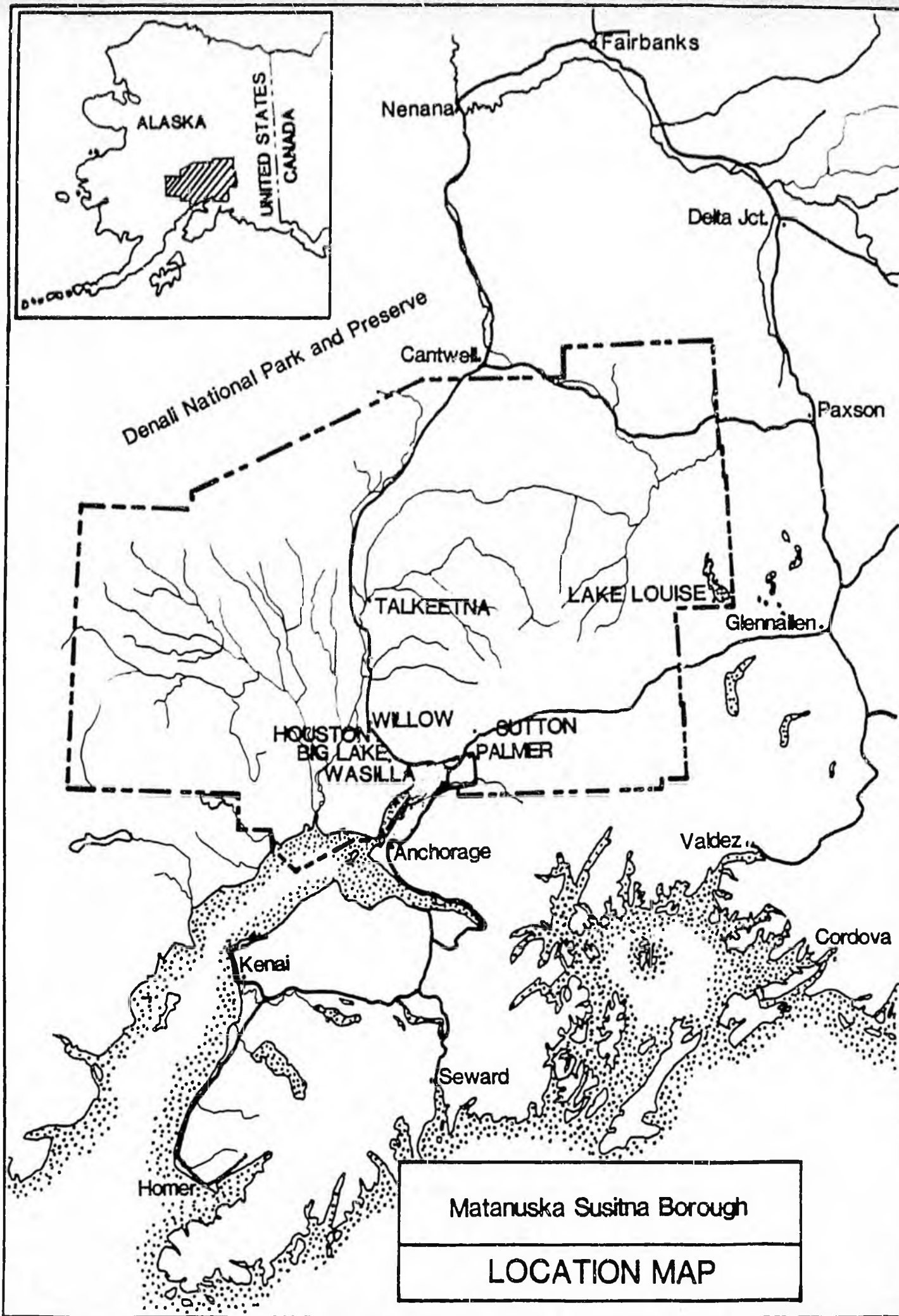
Gary Silvers  
Assemblyman

Rose Palmquist  
Assemblyman

Steven Cypra  
Assemblyman

John Hale  
Manager

P.O. Box 1608  
PALMER, ALASKA 99645





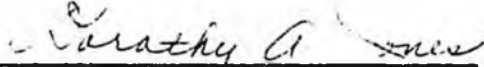
# Matanuska-Susitna Borough

BOX B. PALMER, ALASKA 99645 • PHONE 745-4801

BOROUGH ASSEMBLY

Providing the necessary infrastructure to facilitate the development of the Wishbone Hill Coal Mine is one of the Borough's top three priorities for FY90. The Wishbone Hill Coal Mine is a private sector development in which the State and Borough are working with Idemitsu Kosan, Ltd., the largest independent oil company in Japan, to develop a coal mine in the Wishbone Hill Coal Field within the Matanuska-Susitna Borough. Exploration efforts were initiated in 1983 and have progressed to the acquisition of permits. Operations are scheduled to commence in mid-1991.

To date, project expenditures have exceeded \$4.0 million dollars. This money has been used to define an economic coal reserve base and initiate permitting and detailed engineering activities. As currently envisioned the mine will produce approximately one million metric tons of clean coal per year. Employment at full production would consist of 185 full time jobs with an annual payroll of ten million dollars per year. During these harsh economic times it is vital for both the Borough and State to encourage development and diversification of the economy. The proposed coal mine fulfills these two objectives. The Borough respectfully requests your consideration of the Wishbone Hill coal mine capital improvement program.

  
Dorothy A. Jones  
Mayor  
Matanuska-Susitna Borough

MATANUSKA-SUSITNA BOROUGH <sup>2</sup>  
RESOLUTION SERIAL NO. 88-229 (Substitute)

A RESOLUTION OF THE ASSEMBLY OF THE MATANUSKA-SUSITNA BOROUGH REQUESTING  
STATE FUNDING FOR THE MATANUSKA-SUSITNA BOROUGH'S TOP CAPITAL  
IMPROVEMENT PROJECTS

WHEREAS, citizens of the Matanuska-Susitna Borough continue to experience severe economic hardships through loss of jobs, homes, and local businesses due to the existing economic recession; and

WHEREAS, the Matanuska-Susitna Borough is aware of State spending constraints caused by the existing economic recession; and

WHEREAS, the Matanuska-Susitna Borough is struggling to provide only the basic services to its residents; and

WHEREAS, the Matanuska-Susitna Borough continues to adjust its operating and capital budgets to reduce costs, eliminate unnecessary functions and emphasize activity and projects that will stimulate and diversify the economy; and

WHEREAS, the top priority projects are considered to be most essential and beneficial in helping to improve and create a more stabilized economic base for the Matanuska-Susitna Borough; and

WHEREAS, the Borough is proceeding with three significant economic development projects; and

WHEREAS, these projects include the Point MacKenzie Port, Hatcher Pass Ski Development and the Wishbone Hill Coal Mining Development; and

WHEREAS, the Assembly has identified these three projects equally as the Matanuska-Susitna Borough's top capital improvement projects for FY90; and

NOW, THEREFORE, BE IT RESOLVED that the Matanuska-Susitna Borough respectfully requests funding for the Borough's top FY90 Capital Improvement projects which are: Point MacKenzie Port, Hatcher Pass Ski Resort Development, and Wishbone Hill Coal Development.

BE IT FURTHER RESOLVED that the Matanuska-Susitna Borough respectfully requests funding be provided to the Alaska Department of Transportation and Public Facilities for improvements to portions of the Hatcher Pass Road (Willow Fishhook) and Glenn Highway projects.

AND BE IT FURTHER RESOLVED that funding for the Point MacKenzie Port project be made as a direct appropriation to the Matanuska-Susitna Borough.

APPROVED by the Matanuska-Susitna Borough Assembly this 5  
day of January, 1989.

Dorothy A. Jones  
Dorothy A. Jones, Mayor

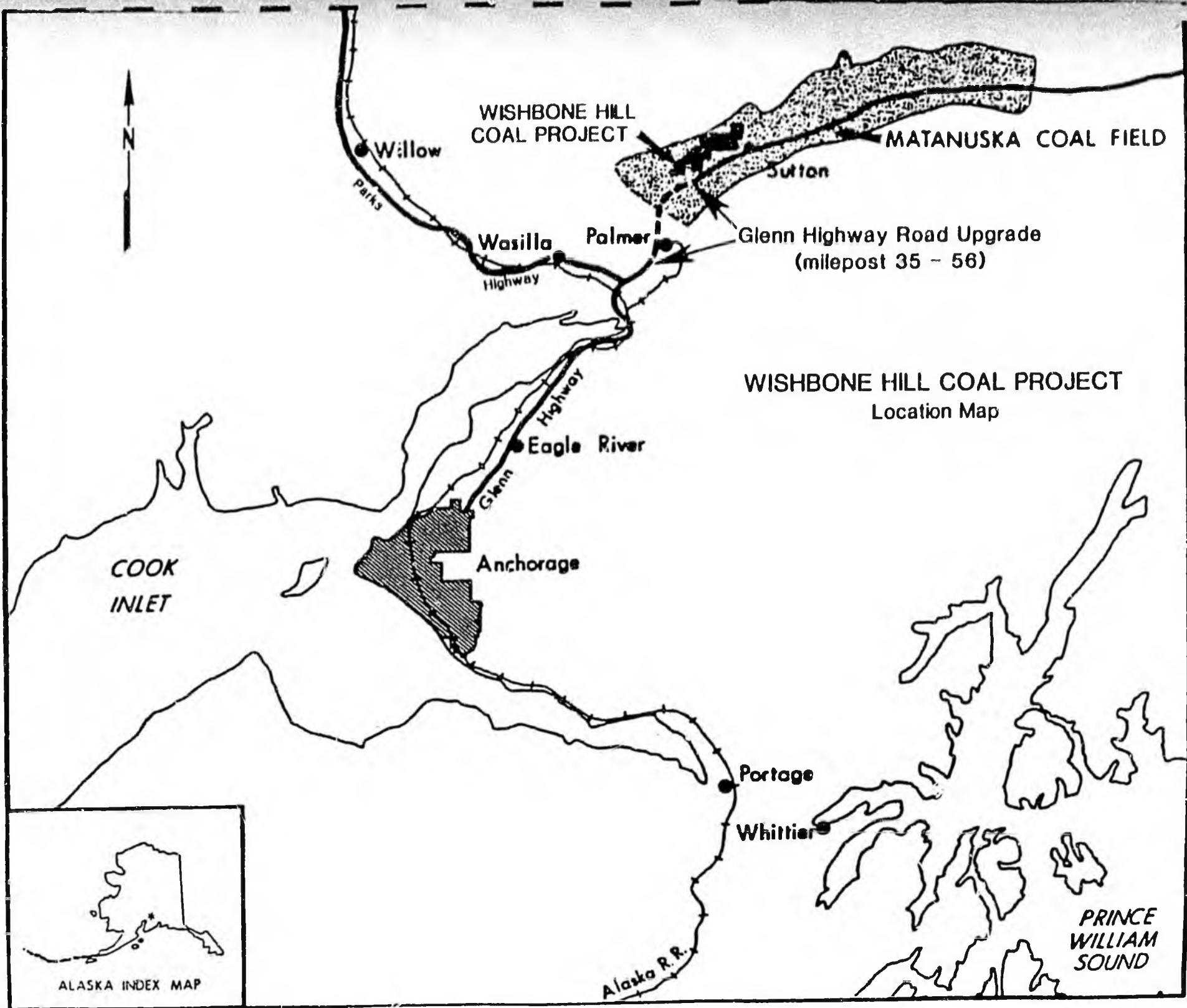
ATTEST:

Linda Dahl  
Linda Dahl, Borough Clerk

(SEAL)

WISHBONE HILL COAL MINE IMPROVEMENTS

PROJECT	COST (in thousands)
1. Glenn Highway Upgrade (milepost 35 to milepost 56)	\$ <u>9,075</u>
TOTAL	\$ 9,075



PROJECT TITLE: Glenn Highway Upgrade (milepost 35 to milepost 56)

PROJECT DESCRIPTION: Rehabilitation, reconstruction and widening of twenty-one (21) miles of the Glenn Highway from milepost 35 to milepost 56.

DISCUSSION: This project consists of reconstructing twenty-one miles of the Glenn Highway, a public road that has been sub-standard for many years, in order to facilitate the development of the Wishbone Hill coal mine by Idemitsu Kosan, Ltd. Idemitsu Kosan is the largest independent oil company in Japan and is actively involved in coal development and mining activities world wide. Improvements to the Glenn Highway will remove hazardous locations, improve sight distances, provide for shoulders and improve the overall driveability of the highway. In addition to facilitating the mine's development, the road's improvements will benefit commuter travel, school bus transportation and tourist travel on one of the State's most popular tourist routes.

The mine, as currently envisioned, would produce approximately one million metric tons of clean coal per year. Employment at full production would consist of 185 full time jobs with an annual payroll of ten million dollars per year. To date, project expenditures have exceeded \$4.0 million dollars.

ANTICIPATED COST: \$9,075,000

## DESCRIPTION OF COAL PROJECT:

The Wishbone Hill Coal Mine project is a private sector development in which the State of Alaska and the Matanuska-Susitna Borough governments are working with Idemitsu Kcsan, Ltd., the largest independent oil company in Japan, to develop a coal mine in the Wishbone Hill Coal Field within the Matanuska-Susitna Borough. Exploration efforts were initiated in 1983 and have progressed to the final feasibility phase. Operations are scheduled to commence in mid-1991.

Wishbone Hill is a surface coal development located in south central Alaska, approximately 45 miles northeast of Anchorage. The project consists of eight state coal leases that are 100 percent owned by Idemitsu Alaska, Inc., a subsidiary of Idemitsu Kosan Co., Ltd. Idemitsu Kosan is the largest independent oil company in Japan and is actively involved in coal development and mining activities world wide. They currently use coal in their oil refineries as well as supply coal, gas and oil to many of the Japanese power utilities.

Exploration and development work on the proposed Wishbone Hill coal project has been in progress since 1983. To date, approximately 150 exploration and development holes have been completed in the project area. Through this work, a surface mineable reserve of high quality bituminous coal sufficient for a 12 to 14 year mine life has been defined. The most recent feasibility study, completed in 1988, indicates that this coal can compete internationally on a cost and quality basis.

The Wishbone Hill Project is one of the closest Free World sources of bituminous coal to the nations of the Pacific Rim. Compared to other Alaskan and international coals, substantial transportation advantages exist for the Wishbone Hill coal because of Alaska's proximity to the Pacific Rim, the project's easy access to the Alaskan rail and a new coal loadout terminal at the nearby port of Seward. Idemitsu Kosan, Ltd., is currently finalizing arrangements with Japanese power utilities which are scheduled to have new power generating units coming on-line in 1990 and 1991. Therefore, it is imperative that the Wishbone Hill Project be fully permitted and into production by 1991 to accommodate this market opportunity.

To date, project expenditures have exceeded \$4.0 million dollars. This money has been used to define an economic coal reserve base and initiate permitting and detailed engineering activities. The current project schedule anticipates that all of the necessary permits and approval will be secured by mid-1990 to accommodate a 1991 start-up. The mine, as currently envisioned, would produce approximately one million metric tons of clear coal per year.

Employment at full production would consist of 185 full time jobs with an annual payroll of ten million dollars per year.

The Wishbone Hill Coal project is a prime example of the type of project being sought by the State and Borough. Public sector capital investment and cooperation will generate a substantially larger private sector investment. Idemitsu Kosan, Ltd., has already expended over \$4.0 million in the exploration, feasibility analysis and permitting phases of this project. This project will generate significant positive impacts in the service sectors of the economy, especially in the mining support, commodities, and transportation sectors of the economy. The Wishbone Hill Coal Project will not detract from other projects within the State because not only is the quality and quantity of the coal vastly different than other coal projects, the markets are also different.

In addition, the project will affect the national economy by providing an opportunity to improve the trade imbalance between the United States and Japan. Because this project is an export based project, new funds for capital and operating expenses will enter the Alaskan economy and will add to Alaska's exports. Export based industries also typically have larger employment and income multipliers than non-export based industries which will benefit the Alaskan economy.

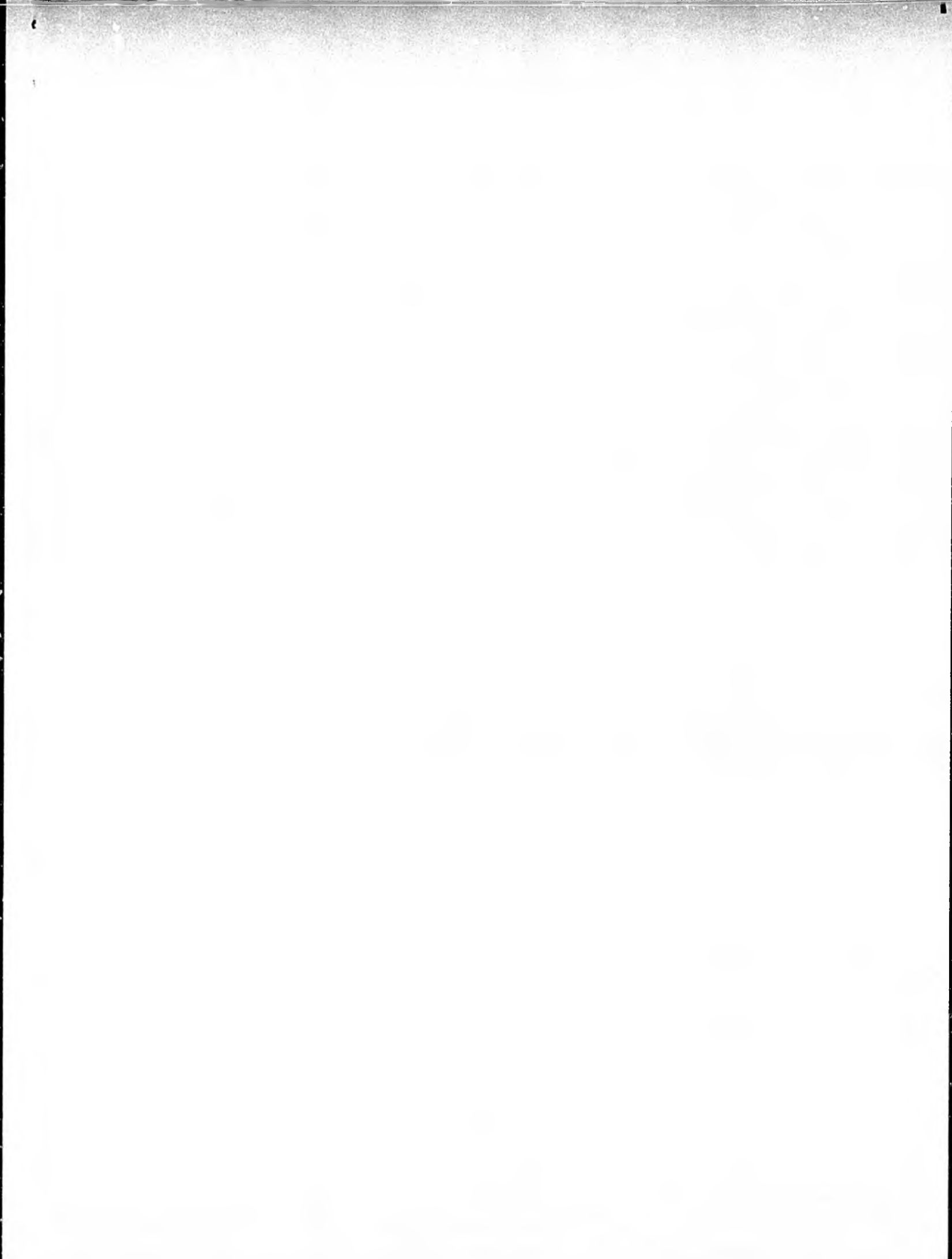
EMPLOYMENT IMPACT:

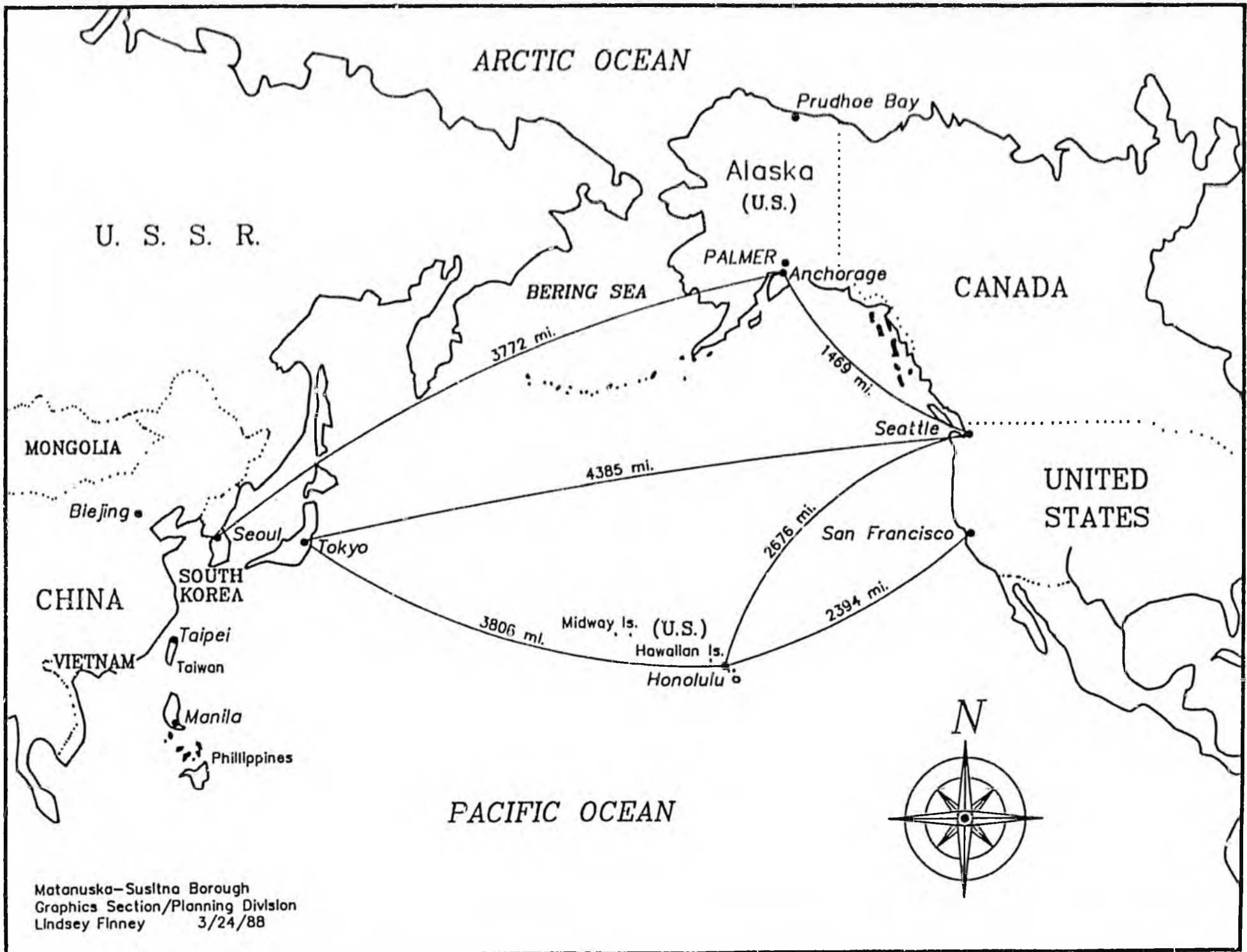
Long Term:                    185 full-time, year round new jobs

Likelihood of Imported Labor:            Very Minimal

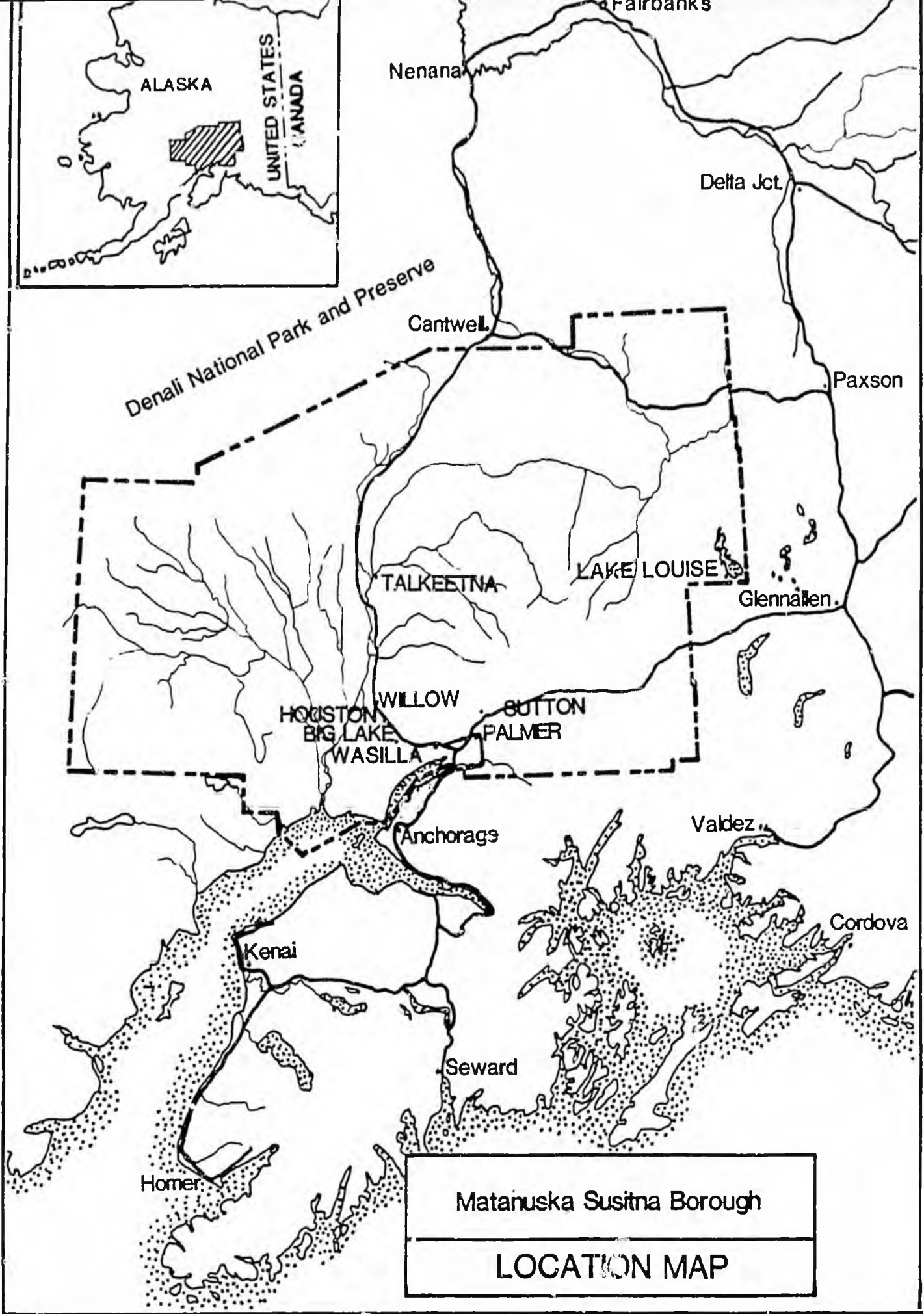
OPERATING AND MAINTENANCE COSTS:

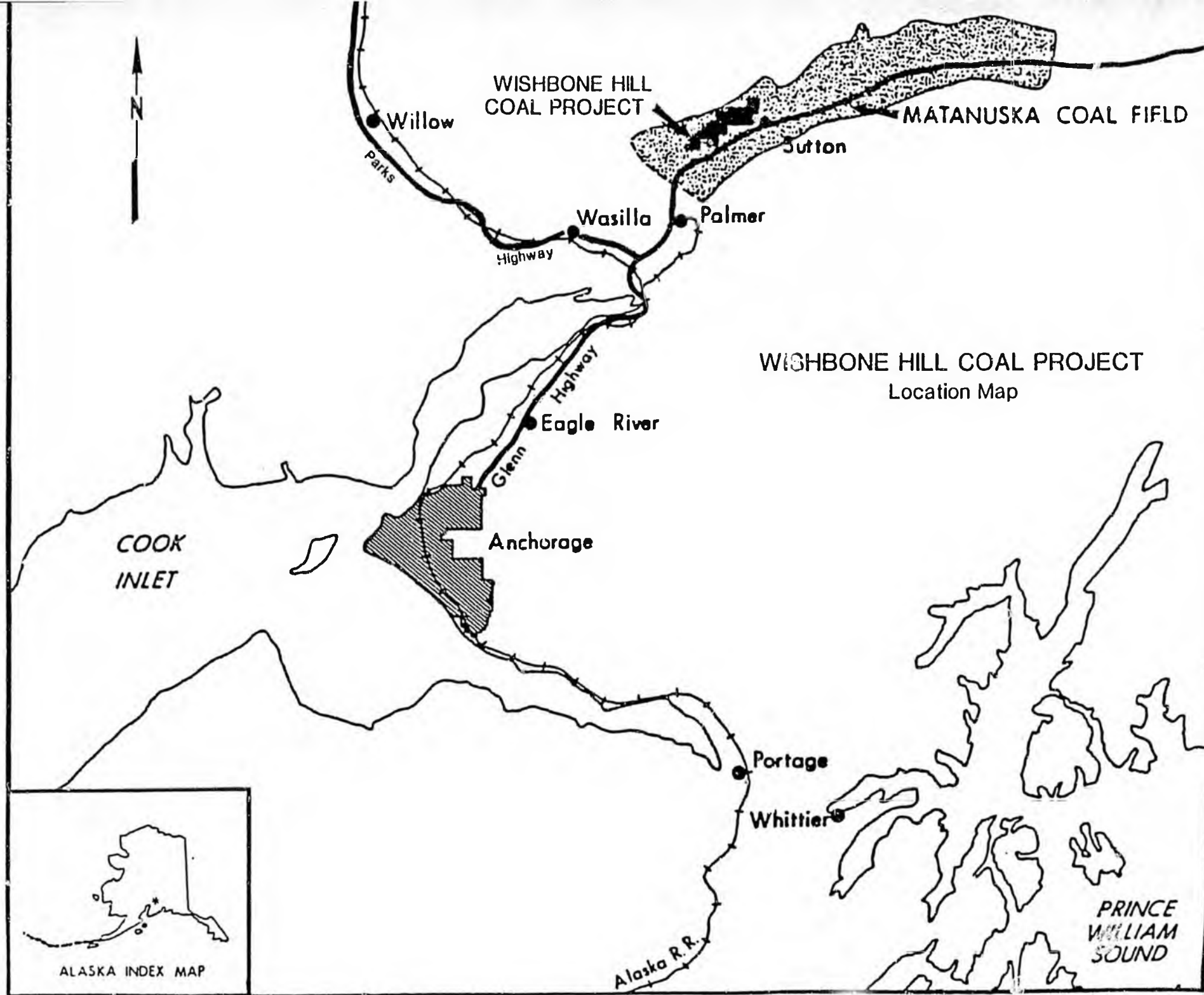
All operating, maintenance and reclamation costs will be borne by the private sector developer, Idemitsu Kosan, Ltd.



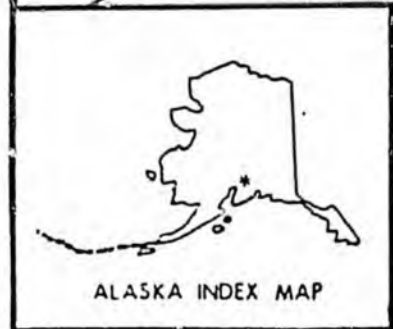


Matanuska-Susitna Borough  
 Graphics Section/Planning Division  
 Lindsey Finney 3/24/88





WISHBONE HILL COAL PROJECT  
Location Map



## PROJECT PROPOSAL

### PROJECT TITLE:

Wishbone Hill Coal Development

### PROJECT DESCRIPTION:

The Wishbone Hill Coal Development project is a private sector development in which the State of Alaska and the Matanuska-Susitna Borough governments are working with Idemitsu Kosan, Inc., an international corporation to develop a coal mine in the Wishbone Hill Coal Field within the Matanuska-Susitna Borough. Exploration efforts were initiated in 1983 and have progressed to final feasibility phase. Operations are scheduled to commence in mid-1991.

### SUBMITTING ORGANIZATION:

Matanuska-Susitna Borough

### FUNDING MIX/COST ESTIMATE:

State & Federal	\$ 8,500,000 - \$10,000,000	
Local	\$ 500,000	
Private Sector	\$ 3,000,000 - \$4,000,000	Exploration and Development (YTD Estimate)
	\$40,000,000 - \$50,000,000	Initial Capital
Other	-0-	

State and Federal funds will be used to upgrade approximately 13 miles of the Glenn Highway that is presently substandard and in need of repair.

### EMPLOYMENT IMPACT:

Long Term: 180 full-time year round new jobs

Likelihood of Imported Labor: Very Minimal

### OPERATING AND MAINTENANCE COSTS:

All operating, maintenance and reclamation costs will be borne by the private sector developer.

NARRATIVE:

The Wishbone Hill Coal project is a prime example of the type of project being sought by the State and Borough. Public sector capital investment and cooperation will generate a substantially larger private sector investment. Idemitsu Kosan, Inc. has already expended over \$3.5 million in the exploration, feasibility analysis and permitting phase of this project. This project will generate significant positive impacts in the service sectors of the economy, especially in the mining support, commodities, and transportation sectors of the economy. The Wishbone Hill Coal Project will not detract from other projects within the State because not only is the quality and quantity of the coal vastly different than other coal projects, the markets are also different.

In addition, the project will affect the national economy by providing an opportunity to improve the trade imbalance between the United States and Japan. Because this project is an export based project, new funds for capital and operating expenses will enter the Alaskan economy and will add to Alaska's exports. Export based industries also typically have larger employment and income multipliers than non-export based industries which will benefit the Alaskan economy.

# Road: Japanese firms may share costs

Continued from page F-1

grade south of Moose Creek to allow normal traffic to pass the slower-moving coal trucks.

Cowper and his administration took some flak from Borough Assemblyman Steve Cypra last week, when the project failed to appear on the governor's capital budget.

That failure, Cypra said, was sending the wrong message to two Japanese firms, Mitsui Corp. and Idemitsu Kosan, that have proposed major development projects in the borough.

Dave Germer echoed Cypra's comments Tuesday. Germer is project manager for McKinley Mining Consultants, the firm hired by Idemitsu Kosan to help it prepare for development of the Wishbone Hill coal mine project.

"The absence of road improvement project funds in the governor's capital budget not only sent the wrong message to Idemitsu Kosan," Germer said, "it also sent the wrong message to Mitsui Corp. of Japan, and to Suneel Corp. of (South) Korea, and to the Pacific Rim in general.

"Maybe the governor has some other thoughts on how to get the project moving that he hasn't shared with us," Germer said.

In the meantime, Sens. Jay Kerttula, D-Palmer, and Szymanski said the coal mine, which Idemitsu Kosan hopes to bring on line in late 1991 or early 1992, would hire 180 full-time employees and have an annual payroll of \$10 million.

The two have also drafted and co-signed a Senate Concurrent

Resolution urging the governor's office, the Alaska Railroad Corp. and the departments of Transportation, Natural Resources and Environmental Conservation to do what they can to take the proposed coal mine from planning to fruition.

"Sen. Rick Uehling, who chairs the Senate's International Trade Committee will introduce the resolution, and Sen. Kerttula and I will co-sponsor it," Szymanski said. He said the resolution will be referred to the Senate Natural Resources Committee and will go to the floor of the Senate for approval from that committee.

Kerttula and Szymanski said the resolution is also supported in the state House by Reps. Ron Larson, D-Palmer, and Curt Menard, D-Wasilla. Larson is co-

chair of the House Finance Committee, and Menard is chair of the House Natural Resources Committee.

Snell said DOT is trying to make the project happen through its negotiations with Idemitsu Kosan.

"There is no reason to think that an acceptable agreement won't be reached with Idemitsu Kosan on the road improvement costs," Snell said. "If an agreement is reached, probably in March, the state is willing to put the \$1 million state matching funds into the capital budget for the necessary road improvements.

"I'm very optimistic that we'll be constructing those road improvements by 1990 and 1991 to meet Idemitsu Kosan's current development schedule," Snell said.

## State funds earmarked for Wishbone Hill road

By BILL KELDER  
Times Valley Bureau

1-15-89  
PALMER — Even though it wasn't listed as a project on Gov. Steve Cowper's proposed capital budget, \$1 million of state money has been set aside for road improvements to facilitate development of a coal mine in the Wishbone Hill area of the Matanuska-Susitna Borough.

Sen. Mike Szymanski, D-Anchorage, said Tuesday the Department of Transportation and Public Facilities has budgeted \$1 million for the road improvement project.

"Commissioner (Mark) Hickey told me

improvements. Snell said the company is only being asked to pick up the cost of those items that solely affect the mine operation. Other costs, he said, would be picked up by the state and federal governments.

"So far, the negotiations are proceeding positively and have been very amiable," Snell said Tuesday from his Anchorage office. He said the state plans to put \$1 million into the capital budget as matching funds for the project once negotiations are complete.

Under the federal highway program, the federal government would pay for

CITY OF PALMER, ALASKA

RESOLUTION NO. 809

A RESOLUTION SUPPORTING THE MINING OF COAL FROM WISHBONE HILL FIELD.

WHEREAS, Idemitsu Kosan has expressed an interest in reopening the coal mining operations in the Wishbone Hill area, and

WHEREAS, 1991 is the target date to begin shipment of coal from the Wishbone Hill area, and

WHEREAS, the initial outlook is for coal to be mined for a twelve year period, and

WHEREAS, the coal mining operation will employ approximately 180 personnel upon reaching full operation, and

WHEREAS, the thrust is for economic development both on the local and state level of government, and

WHEREAS, the need for cooperation and assistance from the State of Alaska is needed to assure the 1991 coal delivery date, and

WHEREAS, the transportation of the coal will be over the road and by rail to Seward for shipment to Japan, and

WHEREAS, part of the transportation package requires that the Glenn Highway be upgraded from south Palmer to Moose Creek, and

WHEREAS, financial participation from the State of Alaska and Idemitsu Kosan is needed for this vital segment of the transportation element.

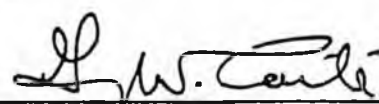
NOW, THEREFORE, BE IT RESOLVED that the City of Palmer urges the Alaska Railroad to establish reasonable rail transportation rates for the shipment of coal to Seward.

BE IT FURTHER RESOLVED that the State of Alaska participate in an equitable financing of the Glenn Highway upgrade which will be impacted by not only the increased coal hauling traffic but tourist traffic to Hatcher Pass as well.

BE IT FURTHER RESOLVED that the State of Alaska provide an expeditious review of the permitting process which will assist Idemitsu Kosan to meet the 1991 deadline for beginning operations.

Publication of this Resolution shall be by posting a copy hereof on the City Hall bulletin board for a period of ten (10) days following its passage and approval.

Passed and approved by the City Council of the City of Palmer, Alaska, this 24<sup>th</sup> day of January, 1989.

  
\_\_\_\_\_  
GEORGE W. CARTE, MAYOR

\_\_\_\_\_  
DAVID L. SOULAK, CITY CLERK

MATANUSKA-SUSITNA BOROUGH

ASSEMBLY RESOLUTION SERIAL NUMBER 89-019 AM

"A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH URGING THAT THE ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES DEVELOP AN EQUITABLE POLICY FOR FUNDING ROAD AND HIGHWAY PROJECTS IN WHICH THE STATE HAS A PRIMARY ECONOMIC DEVELOPMENT INTEREST."

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WHEREAS, the Alaska Department of Transportation and Public Facilities administers Federal and State highway funding programs for the State; and

WHEREAS, adequate transportation infrastructure is a basic requirement in order to attract economic development projects and new investment; and

WHEREAS, Alaska does not have an adequate transportation infrastructure, particularly in the Matanuska-Susitna Borough; and

WHEREAS, the Matanuska-Susitna Borough and State of Alaska have attracted two very important economic development projects: the Hatcher Pass Ski Resort and Wishbone Hill Coal Mine; and

WHEREAS, the State roads providing access to these projects, Willow Fishhook (milepost 7 to milepost 14) and the Glenn Highway (milepost 35 to milepost 56) are substandard and have been substandard for many years; and

WHEREAS, the Willow Fishhook and Glenn Highway serve as major transportation corridors for the general public as well as regional and out-of-state tourists; and

WHEREAS, Alaska Department of Transportation and Public Facilities has proposed that the private sector firms developing the Hatcher Pass Ski Resort and the Wishbone Hill Coal Mine pay for a significant portion of the upgrades of these publicly used roadways; and

WHEREAS, it is inconsistent and poor business practice for the State of Alaska to aggressively seek foreign and out-of-state investors and then to expect these investors to fund a significant portion of the upgrade costs for substandard roads that are used by the general public; and

WHEREAS, the Alaska Department of Transportation and Public Facilities has proposed that the funds for the upgrades come from the previously approved upgrade of the Glenn Highway between Eklutna and Parks Highway; and

WHEREAS, other municipalities within the State have had accelerated road programs which have delayed road projects in the Matanuska-Susitna Borough and other areas of the State.

NOW, THEREFORE, BE IT RESOLVED: that the Assembly of the Matanuska-Susitna Borough believes improving publicly used substandard roads and developing an adequate transportation infrastructure is a fundamental role of the State and the Alaska Department of Transportation and Public Facilities; and

BE IT FURTHER RESOLVED: that the Assembly of the Matanuska-Susitna Borough believes that private sector firms should be charged for reasonable costs associated with their projects and not to bear significant a financial burden for upgrading roads that are already substandard; and

BE IT FURTHER RESOLVED: that the State of Alaska should have a consistent marketing approach that does not penalize new Alaskan investors by forcing them to significantly fund upgrades of substandard roads that are used by the general public; and

BE IT FURTHER RESOLVED: that the Assembly of the Matanuska-Susitna Borough believes that if private sector firms are being charged for significant portions of the projects then these private sector firms should be given the opportunity to design and manage the construction of the projects; and

BE IT FURTHER RESOLVED: that the Assembly of the Matanuska-Susitna Borough urges the State of Alaska to develop an accelerated road program for the Borough's economic development projects, especially the Hatcher Pass Ski Resort and the Wishbone Hill Coal Mine.

UNANIMOUSLY PASSED AND APPROVED by the Assembly of the Matanuska-Susitna Borough this 17 day of January, 1989.

Linda Dahl  
Linda Dahl  
Borough Clerk

Dorothy A. Jones  
Dorothy A. Jones  
Mayor  
Matanuska-Susitna Borough

## WISHBONE HILL PROJECT

Wishbone Hill is a surface coal development project located in south central Alaska, approximately 45 miles northeast of Anchorage. The project consists of eight state coal leases that are 100 percent owned by Idemitsu Alaska, Inc., a subsidiary of Idemitsu Kosan Co., Ltd. Idemitsu Kosan is the largest independent oil company in Japan and is actively involved in coal development and mining activities world wide. They currently use coal in their oil refineries as well as supply coal, gas and oil to many of the Japanese power utilities.

Exploration and development work on the proposed Wishbone Hill surface coal mining project has been in progress since 1983. To date, approximately 150 exploration and development holes have been completed on the project area. Through this work, a surface mineable reserve of high quality bituminous coal sufficient for a 12 to 14 year mine life has been defined. The most recent feasibility study, completed in 1988, indicates that this coal can potentially compete internationally on a cost and quality basis.

The Wishbone Hill Project is one of the closest Free World sources of bituminous coal to the nations of the Pacific Rim. Compared to other Alaskan and international coals, substantial transportation advantages exist for the Wishbone Hill coal because of Alaska's proximity to the Pacific Rim, the project's easy access to the Alaskan rail and a new coal loadout terminal at the nearby port of Seward. Idemitsu Kosan is currently finalizing arrangements with Japanese power utilities which are scheduled to have new power generating units coming on-line in 1990 and 1991. Therefore, it is imperative that the Wishbone Hill Project be fully permitted and into production by 1991 to accommodate this market opportunity.

State wide, a great deal of support has been displayed for the project; however, a potential area of concern focuses on the coal truck transportation requirements. In order to mitigate this concern and facilitate the timely development of the project, the mine developers feel that a 12-mile section of the Glenn Highway should be upgraded even though it is not technically necessary for the proposed coal hauling activities. Recognizing that the Wishbone Hill coal must compete in a highly competitive international market, it is imperative that capital project costs be held to a minimum. To effectively create a viable project that will benefit both the private and public sectors, the mine developer cannot bear the full financial burden for upgrading a substandard public highway. Therefore, a mix of Federal, State and private funding will be necessary to complete the required upgrade work.

To date, project expenditures have exceeded 4.0 million dollars. This money has been used to define an economic coal reserve base and initiate permitting and detailed engineering activities. The current project schedule anticipates that all of the necessary permits and approvals will be secured by mid-1990 to accommodate a 1991 start-up. The mine, as currently envisioned, would produce approximately one million metric tons of clean coal per year. Employment at full production would consist of 180 full time jobs with an annual payroll of approximately ten million dollars per year.

MATANUSKA-SUSITNA BOROUGH  
RESOLUTION SERIAL NO. 88-199

A RESOLUTION OF THE ASSEMBLY OF THE MATANUSKA-SUSITNA BOROUGH  
SUPPORTING THE MINING OF COAL FROM THE WISHBONE HILL  
FIELD.

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WHEREAS, Idemitsu Kosan Corporation of Japan proposes to develop and export coal from the Wishbone Hill Field in the Buffalo Mine to Eska area of the Matanuska-Susitna Borough; and

WHEREAS, the Borough is generally supportive of the mining industry; and

WHEREAS, this endeavor would broaden and diversify the Borough economy in a basic sector creating an estimated 180 basic jobs and an even larger number of jobs in the secondary sector; and

WHEREAS, the Borough currently suffers one of the highest unemployment rates in the State; and

WHEREAS, coal mining is a traditional industry in the Borough and qualified people are available locally to fill most, if not all, positions that would be needed to conduct this mining enterprise;

NOW THEREFORE, BE IT RESOLVED, that the Assembly of the Matanuska-Susitna Borough strongly supports the efforts of Idemitsu Kosan Corporation to develop the Wishbone Hill Coal Field; and

BE IT FURTHER RESOLVED, that the Borough urges Idemitsu Kosan Corporation to hire Borough residents in so far as practicable to conduct its operations.

PASSED AND APPROVED by the Assembly of the Matanuska-Susitna Borough this 4th day of October, 1988.

Dorothy A. Jones  
Dorothy A. Jones, Mayor

ATTEST;

Janne P. Schackel for  
Linda A. Dahl, Borough Clerk  
Linda Dahl

STEVE COWPER, GOVERNOR

RECEIVED JAN 30 1989

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

REGIONAL DIRECTOR, CENTRAL REGION

P.O. BOX 196900  
ANCHORAGE, ALASKA 99519-6900  
(TELEX 25-185) (907) 266-1440

January 25, 1989

Re: Wishbone Hill Coal  
Development/Glenn  
Highway Improvement

The Honorable Curt Menard  
Alaska State House  
P.O. Box V  
Juneau, Alaska 99811

Dear Representative Menard:

Governor Cowper asked that I respond to your December 29, 1988 letter regarding the Department's involvement in the Wishbone Hill Coal Development /Glenn Highway Improvements project.

The State is very receptive to the proposal put forth by Idemitsu Kosan Co. Ltd. and McKinley Mining Consultants. A second meeting was held January 12 between Idemitsu Kosan Co., Ltd., McKinley Mining Consultants, Alaska Industrial Development and Export Authority and the Department to discuss improvements needed on the Glenn Highway for mine development.

The Department and the Federal Highway Administration will be meeting this month to identify and conduct a field survey of the Glenn Highway Improvements associated with the mine development. Our estimates are between \$9 and \$10 million for the needed improvements. If a decision is made to proceed with the development of the Glenn Highway improvements on a schedule corresponding to the beginning of the coal haul operation in mid to late 1991, the highway improvements construction phase funding should be programmed in FFY '90 or FFY '91.

Other projects which may need to be delayed to accommodate this funding change will need to be identified before funding requests are made to the legislature. The next meeting with the mine developers is scheduled for the middle of February when a conceptual agreement on financing and scheduling road improvements will be worked out.

By that time, we expect to know what aspects of the Glenn Highway improvements associated with the proposed coal haul activity the FHWA will be willing to participate in financing. Following that meeting and finalizing a cost sharing agreement with the mine developer, CIP budget adjustments will be proposed. We anticipate forwarding our funding proposal for inclusion in the Governors budget early in March.

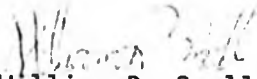
The Honorable Curt Menard

-2-

January 25, 1989

At the present time, the proposed coal mine development appears to be viable and proceeding in a positive manner. I hope this information will alleviate any concerns you may have had reading newspaper reports last month.

Sincerely,

  
William R. Snell  
Regional Director  
Central Region

cc: Katy McHugh, Legislative Liaison, Commissioners Office  
Mark Mayo, Legislative Liaison, Central Region  
Mark S. Hicky, Commissioner

MEH/kkk