

HB

315

HFIN

FILE

K USE COMMITTEE REPORT

(11)

Date Referred: April 20, 1995

FURTHER REFERRALS:

Date of Committee Action: 4/21/95 pm

The FINANCE Committee considered:

HB 315

HOUSE BILL NO. 315

FINANCING TECHNOLOGICAL PROJECTS

"An Act relating to the financing of technological developments by public corporations of the state; and relating to the financing of the Kodiak launch complex, the Fairbanks satellite ground station space park, and a low-rank coal water fuel technology project."

recommends it be replaced with the following committee substitute CS HB 315 (FIN) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) DCED 4/20/95

| SIGNING WITH RECOMMENDATIONS | | DP | DNP | NR | AM |
|------------------------------|-------------|----|-----|----|----|
| <i>Richard Foster</i> | FOSTER | X | | | |
| <i>Mark Hanley</i> | Hanley | | | X | |
| <i>Eden Mulder</i> | Mulder | X | | | |
| <i>Terre Martin</i> | Martin | | X | | |
| <i>Ben Grussendorf</i> | Grussendorf | | | X | |
| <i>Tia Kohnne</i> | Kohnne | | | X | |
| <i>Sean Parnell</i> | Parnell | X | | | |
| | | | | | |
| | | | | | |
| | | | | | |

CO-CHAIR'S SIGNATURE *Mark Hanley* *Richard Foster*

FISCAL NOTE

(No. 1)
 Bill Version: HB 315
 (H) Publish Date: 4/20/95

STATE OF ALASKA
 1995 LEGISLATIVE SESSION

Revision Date: April 19, 1995 Department: Commerce and Economic Development
 Title: ...financing of technological developments by public BRU: AK Industrial Development & Export Auth
corporations of the state; and relating to the financing of the Kodiak... Component: AK Industrial Development & Export Auth
 Sponsor: House Rules
 Requestor: Governor COMPONENT SERIAL NO. 1234

(Thousands of Dollars)

| Expenditures/Revenues | FY 96 | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 |
|-------------------------------|-------|-------|-------|-------|-------|-------|
| OPERATING EXPENDITURES | | | | | | |
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | |
|-----------------------------|--|
| CAPITAL EXPENDITURES | |
|-----------------------------|--|

| | |
|---------------------------|--|
| CHANGE IN REVENUES | |
|---------------------------|--|

(Thousands of Dollars)

| FUND SOURCE | FY 96 | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 |
|--------------------------|-------|-------|-------|-------|-------|-------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 General Fund | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| Other | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY 95) cost: \$ _____

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

Prepared by: William R. Snell, Executive Director Phone: 561-8050
 Division: AK Industrial Development & Export Authority Date: April 19, 1995
 Approved by Commissioner: William L. Hensley *[Signature]* Date: April 19, 1995
 Agency: Commerce and Economic Development

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Chenoweth
4/3/95

adopted 4/12/95

CS FOR HOUSE BILL NO. 269()

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES IVAN, Bunde, Foster, Williams

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to credits against certain taxes for contributions to certain public
2 educational radio and television networks and stations and to endowments for
3 public educational radio and television networks and stations, increasing the
4 amounts that may be claimed as credits against certain state taxes, and precluding
5 claims of the contributions as both credits and deductions against the taxes; and
6 providing for an effective date."

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

8 * Section 1. PURPOSE. This Act extends the credits authorized by ch. 58, SLA 1987,
9 ch. 71, SLA 1991, and ch. 21, SLA 1994, against each of the following state taxes for
10 contributions made to instate public educational radio and television networks and stations and
11 to endowments established to benefit those public educational radio and television stations:

12 (1) the insurance premium tax (AS 21.09.210) and the tax on title insurance
13 premiums (AS 21.66.110);

- 1 (2) Alaska Net Income Tax (AS 43.20);
2 (3) Oil and Gas Properties Production Tax (AS 43.55);
3 (4) Oil and Gas Exploration, Production, and Pipeline Transportation Property
4 Tax (AS 43.56);
5 (5) Mining License Tax (AS 43.65);
6 (6) Fisheries Taxes (AS 43.75).

7 * Sec. 2. AS 21.89.070(a) is amended to read:

8 (a) Subject to (c) of this section, a [A] taxpayer is allowed as a credit against
9 the tax due under AS 21.09.210 or AS 21.66.110 the taxpayer's [FOR] cash
10 contributions for direct instruction, research, and educational support purposes, including
11 library and museum acquisitions, and contributions to endowment, that are accepted by
12 a nonprofit, public or private, Alaska two-year or four-year college or university
13 accredited by a regional accreditation association or that are accepted by an Alaska
14 university foundation that supports a university or college that could receive a
15 contribution for which a taxpayer may obtain a credit under this section, and the
16 taxpayer's cash contributions accepted by a nonprofit, noncommercial public Alaska
17 educational radio or television network or station and contributions to endowments
18 established to benefit those networks and stations. The amount of the credit is the
19 lesser of

20 (1) an amount equal to

- 21 (A) 50 percent of contributions of not more than \$100,000; and
22 (B) 100 percent of the next \$400,000 [\$100,000] of contributions;

23 or

24 (2) 50 percent of the taxpayer's tax liability under this title.

25 * Sec. 3. AS 21.89.070(c) is amended to read:

26 (c) In each tax year, contributions [A CONTRIBUTION] claimed as a credit
27 under this section

- 28 (1) may not be claimed as a credit under more than one provision of this
29 title; and
30 (2) may not, when combined with credits taken during the taxpayer's tax
31 year under AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, or AS 43.75.018,
32 exceed \$450,000 [\$150,000].

1 * Sec. 4. AS 43.20.014(a) is amended to read:

2 (a) Subject to (d) of this section, for [FOR] cash contributions accepted for
3 direct instruction, research, and educational support purposes, including library and
4 museum acquisitions, and contributions to endowment, by an Alaska university
5 foundation or by a nonprofit, public or private, Alaska two-year or four-year college
6 accredited by a regional accreditation association, and for contributions accepted by
7 a nonprofit, noncommercial public Alaska educational radio or television network
8 or station and contributions to endowments established to benefit those stations.

9 a taxpayer is allowed as a credit against the tax due under this chapter

10 (1) 50 percent of contributions of not more than \$100,000; and

11 (2) 100 percent of the next \$400,000 [\$100,000] of contributions.

12 * Sec. 5. AS 43.20.014(d) is amended to read:

13 (d) In each tax year, contributions [A CONTRIBUTION] claimed as a credit
14 under this section

15 (1) may not be claimed as a credit under another provision of this title;

16 (2) may not also be allowed as a deduction [UNDER 26 U.S.C. 170]
17 against the tax imposed by this chapter or as a deduction against another tax
18 imposed by this title; and

19 (3) may not, when combined with credits taken during the taxpayer's
20 tax year under AS 21.89.070, AS 43.55.019, AS 43.56.018, AS 43.65.018, or
21 AS 43.75.018, exceed \$450,000 [\$150,000].

22 * Sec. 6. AS 43.55.019(a) is amended to read:

23 (a) Subject to (d) of this section, for [FOR] cash contributions accepted for
24 direct instruction, research, and educational support purposes, including library and
25 museum acquisitions, and contributions to endowment, by an Alaska university
26 foundation or by a nonprofit, public or private, Alaska two-year or four-year college
27 accredited by a regional accreditation association, and for contributions accepted by
28 a nonprofit, noncommercial public Alaska educational radio or television network
29 or station and contributions to endowments established to benefit those stations.

30 a producer of oil or gas is allowed as a credit against the tax due under this chapter

31 (1) 50 percent of contributions of not more than \$100,000; and

1 (2) 100 percent of the next \$400,000 [\$100,000] of contributions.

2 * Sec. 7. AS 43.55.019(d) is amended to read:

3 (d) In each tax year, contributions [A CONTRIBUTION] claimed as a credit
4 under this section may not

5 (1) be claimed as a credit under another provision of this title;

6 (2) be allowed as a deduction against the tax imposed by this
7 chapter or as a deduction against another tax imposed by this title; and

8 (3) [(2)] when combined with credits taken during the taxpayer's tax
9 year under AS 21.89.070, AS 43.20.014, AS 43.56.018, AS 43.65.018, or
10 AS 43.75.018, exceed \$450,000 [\$150,000].

11 * Sec. 8. AS 43.56.018(a) is amended to read:

12 (a) Subject to (d) of this section, for [FOR] cash contributions accepted for
13 direct instruction, research, and educational support purposes, including library and
14 museum acquisitions, and contributions to endowment, by an Alaska university
15 foundation or by a nonprofit, public or private, Alaska two-year or four-year college
16 accredited by a regional accreditation association, and for contributions accepted by
17 a nonprofit, noncommercial public Alaska educational radio or television network
18 or station and contributions to endowments established to benefit those stations,
19 the owner of property taxable under this chapter is allowed as a credit against the tax
20 due under this chapter

21 (1) 50 percent of contributions of not more than \$100,000; and

22 (2) 100 percent of the next \$400,000 [\$100,000] of contributions.

23 * Sec. 9. AS 43.56.018(d) is amended to read:

24 (d) In each tax year, contributions [A CONTRIBUTION] claimed as a credit
25 under this section may not

26 (1) be claimed as a credit under another provision of this title;

27 (2) be allowed as a deduction against the tax imposed by this
28 chapter or as a deduction against another tax imposed by this title; and

29 (3) [(2)] when combined with credits taken during the taxpayer's tax
30 year under AS 21.89.070, AS 43.20.014, AS 43.55.019, AS 43.65.018, or
31 AS 43.75.018, exceed \$450,000 [\$150,000].

1 * Sec. 10. AS 43.65.018(a) is amended to read:

2 (a) Subject to (d) of this section, for [FOR] cash contributions accepted for
3 direct instruction, research, and educational support purposes, including library and
4 museum acquisitions, and contributions to endowment, by an Alaska university
5 foundation or by a nonprofit, public or private, Alaska two-year or four-year college
6 accredited by a regional accreditation association, and for contributions accepted by
7 a nonprofit, noncommercial public Alaska educational radio or television network
8 or station and contributions to endowments established to benefit those stations,
9 a person engaged in the business of mining in the state is allowed as a credit against
10 the tax due under this chapter

11 (1) 50 percent of contributions of not more than \$100,000; and

12 (2) 100 percent of the next \$400,000 [\$100,000] of contributions.

13 * Sec. 11. AS 43.65.018(d) is amended to read:

14 (d) In each tax year, contributions [A CONTRIBUTION] claimed as a credit
15 under this section may not

16 (1) be claimed as a credit under another provision of this title;

17 (2) be allowed as a deduction against the tax imposed by this
18 chapter or as a deduction against another tax imposed by this title; and

19 (3) [(2)] when combined with credits taken during the taxpayer's tax
20 year under AS 21.89.070, AS 43.20.014, AS 43.55.019, AS 43.56.018, or
21 AS 43.75.018, exceed \$450,000 [\$150,000].

22 * Sec. 12. AS 43.75.018(a) is amended to read:

23 (a) Subject to (d) of this section, for [FOR] cash contributions accepted for
24 direct instruction, research, and educational support purposes, including library and
25 museum acquisitions, and contributions to endowment, by an Alaska university
26 foundation or by a nonprofit, public or private, Alaska two-year or four-year college
27 accredited by a regional accreditation association, and for contributions accepted by
28 a nonprofit, noncommercial public Alaska educational radio or television network
29 or station and contributions to endowments established to benefit those stations,
30 a person engaged in a fisheries business is allowed as a credit against the tax due
31 under this chapter

- 1 (1) 50 percent of contributions of not more than \$100,000; and
2 (2) 100 percent of the next \$400,000 [\$100,000] of contributions.

3 * Sec. 13. AS 43.75.018(d) is amended to read:

4 (d) In each tax year, contributions [A CONTRIBUTION] claimed as a credit
5 under this section may not

6 (1) be claimed as a credit under another provision of this title;

7 (2) be allowed as a deduction against the tax imposed by this
8 chapter or as a deduction against another tax imposed by this title; and

9 (3) [(2)] when combined with credits taken during the taxpayer's tax
10 year under AS 21.89.070, AS 43.20.014, AS 43.55.019, AS 43.56.018, or
11 AS 43.65.018, exceed \$450,000 [\$150,000].

12 * Sec. 14. This Act applies to tax years beginning after the December 31 that precedes the
13 effective date of this Act.

14 * Sec. 15. This Act takes effect January 1, 1996.

AMENDMENT

#1

(2-8)

Failed

HB 315
BY MARTIN

On page 3, line 17, insert the following language:

(k) Subject to appropriation and conditioned upon at least 50 percent private enterprise matching funds being made available, the board may award the following grants:

4/26/95
pm

9-GH0053VA.1 ✓
Bannister
4/26/95

AMENDMENT 2

OFFERED IN THE HOUSE
TO: HB 315

BY REPRESENTATIVE NAVARRE

1 Page 1, line 1, following "relating to the":

2 Insert "Alaska Science and Technology Foundation and to the"

3 Page 1, line 2:

4 Delete "and"

5 Page 1, line 4, following "project":

6 Insert "; and relating to a feasibility study to be conducted concerning the
7 establishment of a Challenger Learning Center for the study of science and technology"

8 Page 4, following line 2:

9 Insert a new bill section to read:

10 "* Sec. 8. CHALLENGER LEARNING CENTER FEASIBILITY STUDY. The Alaska
11 Aerospace Development Corporation shall conduct a feasibility study on the technical,
12 financial, and economic feasibility of establishing in the state a Challenger Learning Center
13 that is for the study of science and technology and that is modeled after the Challenger
14 Learning Center program established by the Challenger Center for Space Science Education.
15 The feasibility study shall consider Kenai and various other locations for the center. The
16 costs of the study shall be paid as follows:

17 (1) one-^{half}quarter by the Alaska Aerospace Development Corporation;

18 ~~(2) one-quarter by the Alaska Industrial Development and Export Authority;~~

19 ~~(3) one-quarter by the Alaska Science and Technology Foundation; and~~

20 (2) ^{half} (4) one-quarter by the municipalities, including Kenai, desiring consideration

21 as possible locations for the center."

Back-up



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY



480 WEST TUDOR

ANCHORAGE, ALASKA 99503

907 / 561-8050

FAX 907 / 561-8998

MEMORANDUM

To: Kurt Parkan
Special Staff Assistant
Office of the Governor

From: *W. Snell*
William R. Snell
Executive Director

Date: March 7, 1995

Subject: Low-Rank Coal-Water Fuel Demonstration Project

RECEIVED
MARCH 10 1995
GOVERNOR'S OFFICE

The following is a brief synopsis and status report on the Low-Rank Coal-Water Fuel Project:

Background & History

- Low-rank coal-water fuel (LRCWF) is a quasi-liquid substance made by combining finely ground, subbituminous coal with water and subjecting it to a high pressure process. The resulting product is non-toxic fuel which can be used as a direct replacement for heavy oil. Attachment No. 1 is a brochure which explains the process and the benefits of the product.
- Initial research into the LRCWF process was funded, in part, by the Alaska Science and Technology Foundation (ASTF) as a pilot project at the Energy and Environmental Research Center's (EERC) laboratory facilities in Grand Fork, North Dakota. The pilot project proved that a very high grade, clean burning LRCWF could be made from Alaskan subbituminous coal.
- Following the successful pilot testing, a consortium group comprised of several Alaskan businesses, coal experts and EERC was formed with the goal of commercializing the technology. In 1992, the consortium submitted a grant application to ASTF for proposed joint funding with the U.S. Department of Energy

and the consortium members. The purpose of the grant was to construct and operate a demonstration facility in Alaska. The overall program cost, including in-kind contributions by consortium members, was estimated at approximately \$25 million.

The proposed Demonstration Project is intended to: 1) demonstrate on a commercial scale basis that LRCWF can be manufactured at a competitive cost; 2) establish through test burning, the product's combustion characteristics and performance in boiler applications; and 3) make the LRCWF product available in quantities of sufficient size to allow potential industrial users to perform test burns at their own facilities. (Attachment No. 2 provides additional background information on the Demonstration Project.)

AIDEA's Involvement

- Because of the size of the proposed Demonstration Project, ASTF approached AIDEA in November 1993, seeking assistance and participation in the project as the Grant Recipient and administrator of the project (see Attachment No. 3). AIDEA's Board in February 1994, approved our participation in the initial phase of the project.
- The Demonstration Project is divided into two phases. Phase 1, which is currently in progress, is designed to formally organize the consortium, perform additional market assessments, firm up cost estimates and prepare the grant application for DOE participation. Phase 2 will be the actual construction and operation of the plant.
- Phase 1 work is currently in progress and will be complete by early April 1995. Our involvement in Phase 2 will be subject to the results of Phase 1, receipt of federal participation, continued ASTF grant funding and Board approval. It is assumed that AIDEA would again serve as the grant recipient under Phase 2.

Funding Status

- The total cost for Phase 1 of the project is \$429,200. Of this amount, \$185,000 are grant funds from ASTF. In addition to the ASTF grant, AIDEA is contributing \$30,000 and the consortium members are contributing in-kind services and matching funds in the amount of \$214,200.
- Subject to the successful conclusion of Phase 1 and several additional conditions, ASTF has approved another \$3,615,000 toward Phase 2 of the project (see Attachment No. 4).

- The total cost of Phase 2 is currently estimated at approximately \$22,000,000. Federal funding in the amount of \$10,250,000 is being sought in the form of a grant through DOE. In addition to the ASTF grant amount, the balance of \$8,075,000 will be made up as contributions from consortium members (see Attachment No. 5). Although AIDEA may participate in Phase 2 as the Grantee, we do not anticipate making any further contributions of AIDEA funds toward the project.
- To apply for the DOE grant and have any reasonable hope for securing federal participation, it will be essential that the State of Alaska show a strong financial commitment toward the project. Although ASTF has tentatively committed to funding the full amount requested, due to certain statutory limitations governing the split of funding between large projects and small projects, ASTF may not be allowed to obligate the full amount in a single year without legislative approval.

Project Benefits

- The potential benefits of the project to Alaska fall into two major categories: 1) short term benefits generated during the three year demonstration period; and 2) long term benefits if the demonstration project is successful and results in the development of a commercial scale LRCWF plant.
- Short Term Benefits:
 - A \$4 million state investment will be leveraged into a \$25 million project which will be constructed and operated over a three year period.
 - With the exception of \$5 million purchase and fabrication of equipment all remaining project moneys will be expended in Alaska.
 - During the 18 month operational period, the project will create approximately 23 new full time jobs in the Fairbanks area.
 - + - The project will be located at the University of Alaska-Fairbanks. The manufacturing facilities, which have a value of approximately \$7 million will remain at the University and be available for research purposes after the demonstration phase has been completed.
- Long Term Benefits:

Kurt Parkan
March 7, 1995
Page 4

- The primary, long-range objective of the Demonstration Project is to create a economically viable means to develop the Beluga Coal Fields and to be able to compete in the world coal market.
- Development of a commercial scale LRCWF plant, dock and related infrastructure would be a \$200 million project and take two or three years to construct. ~~_____~~
- The LRCWF production facility would create a major value added industry and also increase Alaska's total coal exports
- Operation of the commercial plant and mine could create about 200 new, full-time permanent jobs.
- It is worth noting that, even if the Demonstration Project does not result in the commercialization of the technology, Alaska will receive all of the short-term benefits at a total investment cost of only \$4 million.

Hopefully the above information provides you with a basic understanding of the project and some of the issues at hand. Should you have any questions, or require any specific details regarding the project, please give me a call.

cc: John W. Sibert

h:\all\dave\cwfmemo

ALASKAN LOW-RANK COAL-WATER FUEL DEMONSTRATION PROGRAM

Background

The technical feasibility of producing a premium low-rank coal-water fuel (LRCWF) from an Alaskan subbituminous coal from Beluga Coal Co.'s leases west of Anchorage, AK, was demonstrated using the hot-water drying (HWD) process developed at the Energy and Environmental Research Center (EERC). LRCWF made in the EERC pilot plant was tested in the EERC Combustion Test Facility giving almost complete carbon burnout, low boiler-tube fouling and SO₂ emissions well below even the most stringent air quality standards.

Beluga coal is part of a deposit around and under the Cook Inlet near Anchorage, AK that contains approximately 1.5 trillion tons of low-sulfur subbituminous coal. It is thought to be the largest, lowest-cost, ultra low S coal near tidewater in the world.

Market Potential

To avoid potential misunderstanding of marketing goals, it should be noted that LRCWF is designed to replace heavy oil and/or bituminous CWF in existing oil-fired boilers, not bulk steam-coal. The use of CWFs is being aggressively pursued in China, Italy, Japan and Russia to produce a lower-cost, more stable supply of liquid fuel that can be substituted for heavy oil in industrial and utility boilers. In addition, since CWF is simply coal suspended in water it is, in contrast to oil, a non-hazardous quasi-liquid fuel that has no long term negative environmental impact should a major spill occur.

The magnitude of the potential market for coal-water fuels can be gauged by the consumption levels of heavy oil in electric utilities in Japan, Korea, and Taiwan alone. In 1990 the combined total of 200 million barrels of oil used by utilities in these countries was equivalent to about 80 million tons of LRCWF.

Process Economics

LRC characteristics and site specific requirements have a profound effect on costs associated with their conversion and utilization as LRCWFs. For these and other reasons, accurate LRCWF production/utilization economics can only be derived after completion of demonstration-scale testing and a thorough analysis of the commercial site specifics. However, for production of 1MM tpy LRCWF near the Beluga mine site, pipeline transportation to a mono-buoy in Cook Inlet, and ocean transport to Japan, our best estimate of the range of costs in dollars per million Btus, CIF Japan, is between \$2.68-\$3.84 U.S. The economic success of a LRCWF venture will mainly be determined by the price of heavy oil, although benefits that are difficult to quantify and could become important factors include, environmental safety, price stability and secure supply.

Demonstration Program

The next step in commercialization is to demonstrate the technology at a large enough scale to provide potential LRCWF users with sufficient data to develop their own economic analysis and LRCWF for testing in their own facilities. There is a unique opportunity to demonstrate this technology at the University of Alaska Fairbanks Power Plant (UAF), at a fraction of the cost and time it would take to build a new facility. UAF will participate in the demonstration and make their facilities available as a significant portion of the cost share for the project.

The project principals are: Usibelli Coal Mine Inc., owner of Alaska's only operating coal mine; EERC, developers of the LRCWF production/utilization technology; Beluga Coal Co. (a subsidiary of Placer Dome U.S. Inc. and Cook Inlet Region, Inc.), one of the large coal lease holders in the Beluga field and UAF, owner of the host site. Project affiliates include: Alaska Division of Energy; Alaska Industrial and Export Authority; Alaska Science & Technology Foundation; DRVen Corp.; Energy Pacific Corp.; International Coal Prep Consultants, Ltd.; Major International; POWER Engineers, Inc.; Tyonek Native Corp.; and the University of Alaska Anchorage.

Funding for the three year demonstration will consist of the following: The Alaska Science and Technology Foundation have conditionally agreed to provide about \$4MM and slightly more than \$10MM is being sought from the U.S. Department of Energy. The balance, which includes, the technology, part of the facilities, much of the equipment, all of the test coal required for 18 months of operation, some of the engineering and operating manpower, and site permitting information will be provided by the participants through their recently formed corporation, Alaska Coal-Water Fuels, Inc.

CWF Use Assessment

The nominal 150 tpd hot-water drying (HWD) plant will produce about twice the amount of fuel needed to run the oil-designed boiler in the demonstration plant. Extra fuel will be available for transportation and end-use testing at potential LRCWF users facilities, possibilities include, CWF-fired diesel engines, small coal-fired boilers for remote sites, slurry-fed gasifiers, slagging combustors and a variety of oil-designed boilers



ALASKA SCIENCE & TECHNOLOGY FOUNDATION

— Putting Innovation to Work for Alaska —

March 15, 1995

RECEIVED
MAR 20 1995

The Honorable Governor Tony Knowles
PO Box 110001
Juneau, AK 99811-0001

GOVERNOR'S OFFICE

Dear Governor Knowles:

RE: *ASTF Project 91-3-189*
Low Rank Coal Water Fuel Demonstration Project

The Alaska Science & Technology Foundation (ASTF) is presently assisting in the analysis of whether Alaska's sub-bituminous coal can be used to profitably produce a low rank coal water fuel (LRCWF) for domestic and export markets.

This project started out as a series of proposals to the Foundation by the Consortium representing the project, consisting of the Energy and Environmental Research Center (EERC) in North Dakota, Usibelli Coal Mine, Inc., and Beluga Coal Co. The pilot research was funded by ASTF and was conducted by EERC in North Dakota. After examining the nature of the demonstration proposal, it was determined that AIDEA would be a more appropriate agency to represent the state in the development of this project, principally in terms of their past experience in large economic development projects such as this project. In March 1994, AIDEA, as project manager, submitted a proposal to the Foundation for the low-rank coal water fuel project (91-3-189). The purpose of this project is to design, construct, and demonstrate a facility using low-rank coal water fuels in Alaska.

ASTF is funding the low-rank coal water fuel project in two phases. The decision to fund the project was based upon the proposal submitted to the Foundation, the technical reviews received by the Foundation, and consideration by the Board. The Board approved a two-phase grant designed to help the consortium reach a consensus on the outstanding issues while encouraging a broad-based approach to maximize the leverage of state funds and successfully develop and commercialize the LRCWF technology. Phase One addresses resolution of issues surround the legal structure of the project, development of a business plan, and other efforts leading to the preparation of a proposal to the U.S. Department of Energy for the bulk of the project funding. Phase Two, if approved and funded by the ASTF Board, will involve the design, construction, and testing of an actual production prototype facility.

ASTF's Board of Directors has approved \$185,000 of funding, matched with \$244,200 of funding from AIDEA (\$30,000) and the consortium (\$214,200), for Phase One. Phase Two funding will depend upon the successful completion of a

4500 Diplomacy Drive, Suite 515, Anchorage, Alaska 99508-5918

Telephone: (907) 272-4333
Fax: (907) 274-6228

March 15, 1995
Page 2

number of required conditions. Those conditions included adequate funding commitments, a suitable business plan, identification of suitable markets and end users for the fuel, and the ability of ASTF under its statute to make the grant payments to the project as scheduled. ASTF funding of \$3,615,000 for Phase Two would be matched with approximately \$10.2 million from the Department of Energy and \$11.0 million from other sources, including the consortium members.

ASTF believes the LRCWF has the potential to open new markets for Alaskan coal. ASTF also believes that with an appropriate structure, detailed planning and market research, commitments from interested end users, and sufficient funding from the U.S. Department of Energy and other private and federal funding sources, this project can be of great benefit to the State through an alliance of Alaska State agencies, private entities, and the federal government. State funds can be leveraged to determine the viability, both technical, and financially, of producing low-rank coal water fuel from Alaskan coal.

If you have any questions, please feel free to contact either myself or Robert E. Harris, Director of Technology, at 272-4333.

Cordially,



*Arliss Sturgulewski
Interim Executive Director*

*cc: Kurt Parkan, Special Assistant to the Governor
Riley Snell, AIDEA*



March 16, 1995

Jim Ayers
Chief of Staff
P.O. Box 110001
Juneau, AK 99811-0001

Dear Mr. Ayers:

I am pleased to present to you a copy of the Alaska Aerospace Development Corporation's (AADC) Kodiak Launch Complex (KLC) Business Plan. This plan outlines the launch services market, launch site competitors, facilities, operation, construction and approvals and the financial analysis of the KLC. As you can see, it shows a promising venture for Alaska without trying to capture 100% of the launch market.

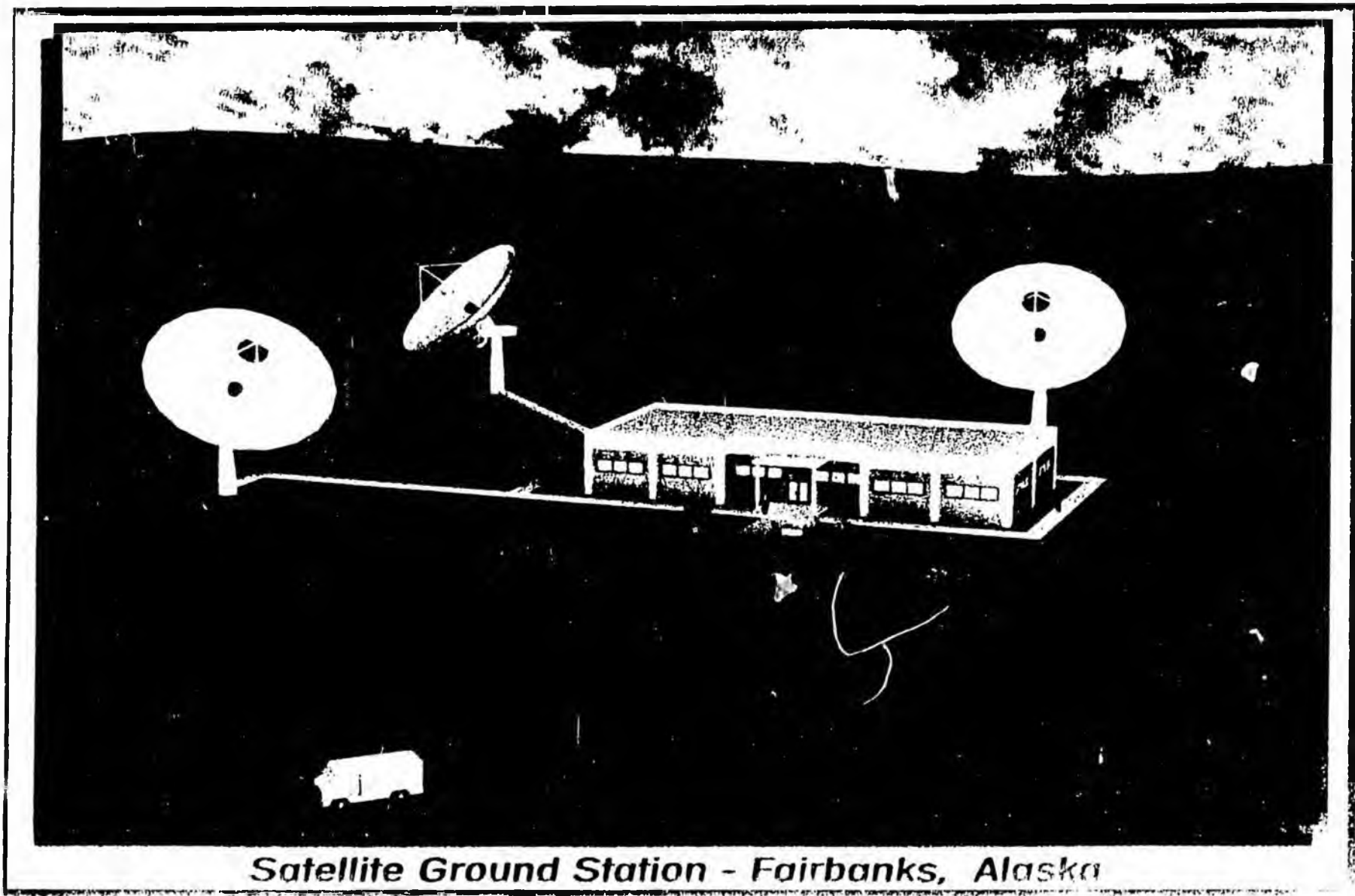
On 13 December 1995, the Alaska Interior Delegation was invited to a briefing by AADC and Mr. Dave Edwards, Vice President of EOSAT Corporation. At that briefing, they were provided AADC's plans to develop the Fairbanks Satellite Groundstation Spacepark to support the emerging commercial polar satellite constellations. Also, Mr. Edwards provided a briefing on the many uses of remote sensing data to satisfy state requirements plus value added products from having a commercial groundstation in Fairbanks. He also stated that EOSAT was very interested in locating a groundstation in the Fairbanks area.

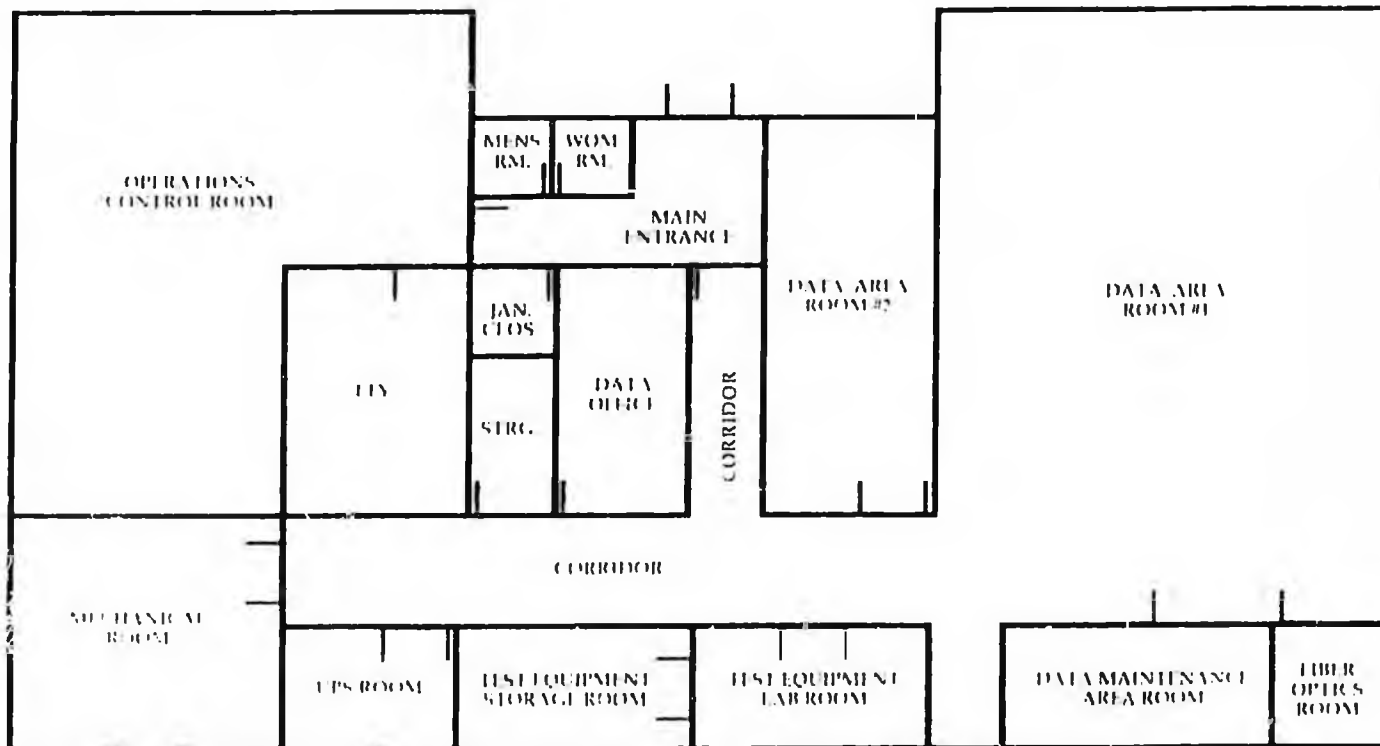
Since that briefing we have awarded a contract to FPE Roen of Fairbanks to perform a study of all possible sites in the Fairbanks area and to develop a strategic plan. We have also tasked BRPH, AADC's Architectural and Engineering firm, to develop a preliminary design and cost estimate. Copies are enclosed. To show the potential of the Fairbanks Satellite Groundstation Spacepark, I am also enclosing a letter from Spectrum Astro.

This is just an update on our progress. I hope to see you at the Aerospace Reception on 28 March 1995 in Juneau that will be sponsored by the Alaska Municipal League.

Very respectfully,


Pat Lachner
Executive Director





Floor Plan

7000 sq. ft. Building
(120' X 60')

Satellite Ground Station - Fairbanks, Alaska

COST ESTIMATE

SATELLITE TRACKING STATION - FAIRBANKS, AK

BRPH ARCHITECTS • ENGINEERS, INC.

BY: E. M. BRIEL

| DESCRIPTION | QUANTITY | UNIT | COST | TOTAL |
|----------------------------------|----------|------|-------|-----------|
| SITE WORK | | | \$ | \$ |
| Clearing | 3.0 | Ac | 1,690 | 5,070 |
| Grading | 14,520 | S.Y. | 1.014 | 14,723 |
| Pavement/Base | 1,200 | S.Y. | 33.80 | 40,560 |
| Fencing | 1,460 | LF. | 25.35 | 37,011 |
| Utilities | 1 | L.S. | | 50,000 |
| Area Drainage | 1 | L.S. | | 25,000 |
| Curb & Gutter | 420 | LF. | 17.32 | 7,275 |
| Security Gatehouse | 1 | L.S. | | 5,000 |
| Grass | 8,000 | S.Y. | 2.11 | 16,880 |
| TOTAL SITE WORK | | | | 201,519 |
| BASE BUILDING | | | | |
| Arch/Struct/Finishes | 7,200 | S.F. | 88.20 | 635,040 |
| Raised Floor | 3,000 | S.F. | 12.00 | 36,000 |
| Elec. Power/Ltg/Grounding, Comm. | 7,200 | S.F. | 43.46 | 312,912 |
| Mechanical-Heat/A-C Plumbing | 7,200 | S.F. | 37.30 | 268,560 |
| TOTAL - BASE BUILDING | | | | 1,252,512 |
| UPS | 1 | L.S. | | 54,000 |
| Standby Gen. (500 KW) | 1 | L.S. | | 145,340 |
| PROJECT TOTAL | | | | 1,653,371 |
| Contingency - 10% | | | | 165,337 |
| Design Fees - 6% | | | | 109,122 |
| Testing, Soils | 1 | L.S. | | 20,000 |

SUBTOTAL

1,947,835

Spectrum Astro, Inc.

ADVANCED SPACE SYSTEMS

25 February 1995

Attn: Mr. Pat Ladner
Alaska Aerospace Development Corporation
Suite 1400
3601 C Street
Anchorage, Alaska 99503

VIA FACSIMILE TO (907) 561-3339

Subject: ELLIPSO Satellite System High-Latitude Ground Control Station

Dear Mr. Ladner:

I am writing to confirm our verbal discussion related to a high latitude ground control station for the ELLIPSO Satellite System. As we have discussed, Spectrum Astro has been asked to supply 16 satellites, the satellite ground command and control system, as well as other services, along with a vendor financing package. In turn, we are asking our vendors and subcontractors to provide capital financing for their portion.

Pursuant to our previous discussions, I request your commitment to provide the following facilities and services in return for a 5-year operating lease with a 5-year renewal option. Initial operational capability (IOC) for your facility is required no later than 1 July 1997. Facility, equipment, and personnel requirements are as follows:

Facility:

General Office Space, Class A, carpeted, fully sprinklered

Including:

- Individual offices minimum 10' x 12'
- One visitor office 10' x 12' min
- One mini conference room 12' x 15' min
- One large conference room 24' x 30' min
- Full-service kitchen/break area
- Lockable storage space 10' x 12' min

Operations Room - 24' x 30' min, carpet/tile OK, sprinklered

Outside Antenna Pads and Heated Radomes- (3) - Suitable for 5 meter dishes

Other Comments:

Provide minimum of 40 parking spaces onsite
Provide on site access or less than 10 minute drive to 24-hour quality food service
Provide close proximity (less than 20 minutes) to quality motel/hotel
Provide close proximity (less than one hour) to large commercial airport with standard carrier access
Provide emergency backup power
Provide access to all standard telephone services and fiber optic trunks
Provide 24-hour security, medical and fire protection services as required onsite or within close proximity (less than 10 minute response)

Equipment:

Provide satellite telemetry, command, control, radio frequency equipment, amplifiers and antennas per our specifications (To Be Supplied - Estimated cost not to exceed \$4 million. Spectrum Astro will provide as Customer Furnished Equipment (CFE) all necessary system software)

Personnel:

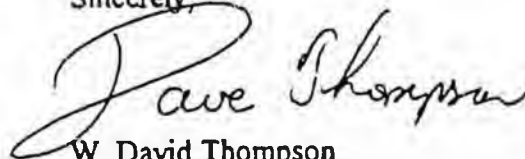
Provide trained and certified satellite operations personnel (1 per shift) suitable for 24-hour operations staffing 365 days per year, including sufficient staff to allow for vacation and surge needs during critical operations

Personnel must have minimum of 2 years satellite operations experience. Spectrum Astro will provide specialized training on Ellipso vehicles and overall system operation. We will also provide expert technical advisors to support critical operations.

Our lease payments will begin one year after IOC. Please structure your lease payment terms accordingly. Please respond with a commitment letter confirming our verbal discussions and the ground rules set forth in this letter NLT close of business 28 February 1995 so that we may include your commitment in licensing transactions currently before the FCC.

Call me at (602) 892-8200 (w) or (602) 813-2310 (h) if you have any questions. We look forward to working with you.

Sincerely,



W. David Thompson
President

WDT/tc



Ground control

In Fairbanks, a small but significant opportunity in the space business

As Alaska's oil bonanza at Prudhoe Bay plays out, the state must be alert for economic opportunities of any stripe, no matter how small or unconventional they may be.

Fairbanks is home to one intriguing space-age possibility.

It appears to be the best place on the continent for steering polar orbit satellites and relaying satellite data to Earth.

Fairbanks' advantage comes from a simple fact of geography: The farther north you are, the longer you can communicate with a satellite in polar orbit.

That fact gives Fairbanks an edge on two counts. First, any satellite, no matter where it's launched, needs occasional orbit adjustments to keep from falling back to Earth. Second, the longer you can contact the satellite, the more data you can "download" from it.

Having good air-cargo service, as Fairbanks does, is another plus. Some satellites generate so much data, it's cheaper to print out the information and ship it by air cargo, instead of using more expensive telecommunications.

As John Seibert, head of the state's Science and Technology Foundation, says of Fairbanks: "It's the farthest north (city) with a decent airport, a university and a (super)computer."

Already, one firm wants to bring a portable satellite communications unit to Fairbanks, according to Pat Ladner, head of the state's Aerospace Development Corp.

He thinks that with a little help from the state, Fairbanks could see a lot more business in the field. That's why the space development authority would like to build a "satellite servicing" office park there.

Such a building would spare each firm from having to locate a site, get zoning and permit approvals, and install communication lines. All a satellite business would have to do is show up at the office park, plug in its computers, consoles and satellite dishes, and it would be ready to go. Rental fees would cover the state's construction and maintenance costs.

The space authority wants to start small, perhaps with only two "offices." But it plans to choose a site and a design that will allow adding "offices" as demand warrants.

Mr. Ladner says the space authority seeks \$2 million in front money to pursue the idea. Funding sources might include the legislature, the Alaska Industrial Development and Export Authority, or perhaps even local government bonds.

Compared to the potential gain, the cost seems modest and the risk well within acceptable bounds. In the early jet age, Alaska's subpolar location enabled Anchorage to become the Air Crossroads of the World. Perhaps space-age opportunities will allow Fairbanks to become the Satellite Crossroads of the World.



ALASKA SCIENCE & TECHNOLOGY FOUNDATION

— Putting Innovation to Work for Alaska —

March 30, 1994

RECEIVED
APR 4 1994

Alaska Industrial Development
and Export Authority

William R. Snell
Executive Director
Alaska Industrial Development and Export Authority
405 W. Tudor Avenue
Anchorage, Alaska 99507

Dear Mr. Snell:

Re: ASTF Proposal Number 91-3-189
Power Generation from Alaska Low-rank Coal-water Fuels—Commercial
Demonstration Project

This letter is to confirm the action taken by the ASTF Board of Directors on
March 21, at which they adopted the following resolution:

"RESOLVED that Proposal 91-3-189 submitted by AIDEA for the funding of the
Low-rank Coal-water Fuel Project (the "Project") is approved as follows:

- "1. ASTF grants up to \$185,000 to Alaska Industrial Development &
Export Authority (AIDEA) pursuant to a grant agreement with terms
acceptable to the Executive Director of ASTF for the initial study and
development of the Project as determined by the Executive Director
of ASTF (Phase I);
- "2. ASTF grants up to \$3,615,000* to AIDEA upon satisfaction of all of
the following conditions (Phase II):
 - A. Successful completion of Phase I;
 - B. Approval by ASTF's Board of Directors of the proposal to be
submitted by the project to the U.S. Department of Energy
(DOE), approval by the DOE of that proposal and agreement
by the DOE to fund the project in an amount of not less than
\$10 million;

* The fact that this amount is not the total requested can be addressed when
the Board considers whether to go forward with Phase II.

March 30, 1994
Page 2

- C. Approval by ASTF's Board of Directors of the final business plan for the project;
- D. Revision of ASTF's legislation (AS 37.17) as proposed by ASTF, including permitting 50% of ASTF's grants by number to exceed \$100,000 each and the collection by ASTF of royalties on all income produced with ASTF grant funds;
- E. Binding commitment to the project of the site for the project demonstration;
- F. Binding contracts for all aspects of the commercial activities of the project, including commitment from one or more energy producers to participate in the project;
- G. Execution of a grant agreement with terms acceptable to ASTF's Executive Director."

As you know, ASTF has met with Dave Eberle and members of the Consortium to discuss the Board's expectations. The attached two pages were developed in that effort and explain further the items ASTF will be judging at the end of Phase I. Please let us know if anything is unclear.

On a different topic, we have noticed that you signed section c of Form G requesting confidentiality for project results. This section states that you "...attached a description of the information for which confidential material status is requested and the required justification for this request." However, I am unable to find this description or justification.

Enclosed is a copy of ASTF's confidentiality guidelines. Please note that the last paragraph states that "Information developed under a grant from ASTF is public information unless confidentiality is requested and granted prior to the award of the grant. If confidentiality is desired for Phase II, please be certain to provide the necessary description and justification along with the other Phase I deliverables. ASTF has to go through all these convolutions because it doesn't have the right to protect trade secrets like AIDEA does.

If I can be of further assistance, please do not hesitate to call me at 272-4333.

Cordially,



Ann M. Kampfer
Grants Manager

Enc: Confidentiality Guidelines
Phase I Tasks



SECRETARY OF THE AIR FORCE
WASHINGTON

SAF/AQQS(M)
1060 Air Force Pentagon
Washington DC 20330-1060

31 Mar 95

Mr. H. P. Ladner, Executive Director
Alaska Aerospace Development Corp.
3601 C Street, Suite 1400
Anchorage, AK 99503

Dear Mr. Ladner:

I appreciated the opportunity to meet with the Alaska Aerospace Development Corporation (AADC), Governor Knowles, and key members of the Alaska legislature.

As I explained in the meetings, the Air Force's Rocket System Launch Program (RSLP) is actively pursuing a contract with AADC. RSLP has taken the first step by issuing a work order contract to AADC in order to define RSLP requirements and AADC's capabilities. The next step will be to prepare a contract for up to 15 launches by RSLP from the Kodiak Launch Complex (KLC) over the next five years. I anticipate that with the approval of the Department of Defense budget in October 1995, RSLP will be able to book and pay for up to four launches by January 1996. However, before AADC and the State of Alaska can enter into a contract with the RSLP program, the Air Force must be assured that the KLC has the commitment and support of the State of Alaska, including financial and other assurances that it will be completed and available to support RSLP launches by the first part of 1997.

RSLP is excited by the progress that AADC has made and the extensive support that was displayed last week for KLC. We will continue to work with AADC and the State of Alaska to develop the KLC into an innovative and efficient launch site serving the most exciting part of the burgeoning launch market.

Very Respectfully,

A handwritten signature in cursive script that reads "Charles S. Pugsley III".

CHARLES S. PUGSLEY III, Col, USAF
Chief, ICBM Modernization Branch
Directorate of Long Range Power Projection,
SOF, Airlift and Training Programs
Assistant Secretary (Acquisition)

RECEIVED
March 31, 1995
APR 10 1995

GOVERNOR'S OFFICE

*Kurt
PO: 501/105*

Martin Marietta Technologies, Inc.
Astronautics
A Lockheed Martin Company
P.O. Box 179
Denver, Colorado 80201
(303) 971-2080

LOCKHEED MARTIN 

The Honorable Anthony Knowles
Governor of Alaska
Post Office Box 110001
Juneau, Alaska 99811-0001

Dear Governor Knowles:

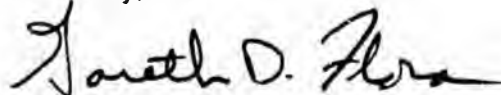
I was very disappointed that we could not meet during my visit to Alaska earlier this week. The stormy weather in the Juneau area made it impossible for the aircraft to land and unfortunately, when I arrived in Anchorage, there were no timely flights back to Juneau.

However, I do want to assure you that Lockheed Martin appreciates Alaska's interest in the Multi Service Launch System (MSLS) program. We know the Air Force believes this program is a viable candidate to fly out of Kodiak Island. Because of the START treaty, the Air Force has 450 Minuteman II assets available to fly, and this provides a great opportunity for Alaska and Lockheed Martin.

The Alaska Aerospace Development Corporation (AADC) has developed a credible plan to launch small launch vehicles from Kodiak Island, and we are very enthusiastic about the possibility that some of these will be MSLS launch vehicles.

I hope that we will have the chance to meet and discuss this exciting opportunity. If I can be of any assistance in answering questions or providing information to you, please do not hesitate to call.

Cordially,



Gareth D. Flora
Vice President
Advanced Launch Systems

TONY KNOWLES
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 315
P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

April 20, 1995

The Honorable Gail Phillips
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Phillips:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that would improve the ability of public corporations of the state to finance technological developments.

This bill amends AS 37.17 to facilitate the Alaska Science and Technology Foundation's (ASTF) development of commercial uses for technological developments, among its other purposes. These amendments will assist state agencies and public corporations such as the Alaska Aerospace Development Corporation (AADC) and the Alaska Industrial Development and Export Authority (AIDEA) in technology-related development projects. ASTF would be able to provide guidance through its established peer review system and grant review process, as well as financial assistance to projects meeting its technological and business criteria.

Existing AS 37.17.090(d) requires that at least 50 percent of the ASTF endowment income that is distributed by ASTF in a fiscal year must be for grants of \$100,000 or less. Section 3 of the bill would exempt two grants to AIDEA or AADC from that requirement. Absent this exemption, ASTF would be limited to providing only minor financial assistance to projects of potentially great benefit to the state. One of the two grants is for development of the Kodiak launch complex and Fairbanks satellite ground station space park. The second grant is for development of low-rank coal water fuel technology. It is anticipated that the grants from ASTF for these projects may be phased in.

Section 5 of the bill also provides ASTF with more flexibility to ensure a fair financial return to the state based upon the value derived by the grantee from the ASTF grant. The bill replaces the current narrow language of AS 37.17.090(g), restricting ASTF to a return from "royalties, licenses, and patents", with broader language acknowledging that grantees can gain significant economic benefit from an ASTF grant without ever earning

The Honorable Gail Phillips
Page 2

income from royalties, licenses, and patents. For example, ASTF could receive a return from AADC for the operation of the Kodiak launch facility. Section 5 provides ASTF with additional protection for its investments by the addition of language allowing ASTF to take a security interest in, and own, patents, copyrights, and other intellectual property to secure payment of sums owed to ASTF under a grant agreement.

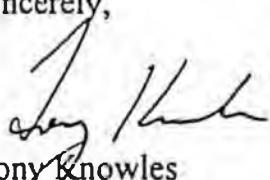
The bill continues to require that the revenue received by ASTF be paid into the principal of the endowment, subject to AS 37.07. The bill allows ASTF to tailor each "return" provision to the specific circumstances of the grantee. Under this provision, ASTF is able to receive a fair return where the grantee is going to manufacture and sell its own products based upon ASTF technology. ASTF is also able to receive a fair return based upon the growth in the grantee's business based upon the ASTF grant.

The bill improves ASTF's ability to protect sensitive commercial information it receives through the grant process. Section 4 of the bill amends AS 37.17.090(f) to allow the board of ASTF to adopt administrative regulations necessary to protect trade secrets and other proprietary information submitted to ASTF from disclosure under AS 09.25.110 - 09.25.120. These regulations would be adopted by the board under standards developed to protect the interests of the state and the prospective grantees.

The bill also contains a section authorizing AIDEA to issue up to \$20,000,000 in bonds to finance the development of the Kodiak rocket launch complex and the Fairbanks satellite ground stations, or to finance these projects by other means available to AIDEA. This section also includes a limitation that the board of directors of AIDEA and AADC must each determine that there is sufficient commercial interest and financial viability to support the debt service and costs of the facility before money may be expended for any phase of construction.

I urge your prompt consideration and passage of this bill.

Sincerely,



Tony Knowles
Governor

State of Alaska
Office of the Governor

TONY KNOWLES
Governor
P.O. Box 110001
Juneau, Alaska 99811-0001
NEWS RELEASE



Bob King
Press Secretary
Claire Richardson
Deputy Press Secretary
907-465-3500
FAX: 907-465-3533

FOR IMMEDIATE RELEASE: April 21, 1995

95-91

KNOWLES LAUNCHES AEROSPACE, COAL FUEL DEVELOPMENT BILL

Legislation Would Assist Kodiak, Fairbanks Aerospace; UAF Coal Projects

In an effort to steer Alaska in a new direction toward high tech and developing technologies, Governor Tony Knowles today introduced legislation to aid the development of the proposed Kodiak launch complex and the Fairbanks satellite ground station and a demonstration project for coal water fuel.

"The Kodiak rocket complex and the Fairbanks space park could help launch Alaska into the 21st century and the coal water project could open up coal reserves that are as vast as Prudhoe Bay," Knowles said. "But if we're to 'boldly go where no one has gone before,' we need firm financial backing. My proposed legislation would allow our science and technology foundation to make funding available for these projects and other high tech investments in our future."

The bill would exempt the three projects from limits on funding from the Alaska Science and Technology Foundation (ASTF). Under current law, at least 50 percent of the ASTF endowment income must be distributed in grants of \$100,000 or less. Without an exemption, ASTF would be limited to providing only minor financial assistance to the projects.

The bill would also authorize the Alaska Industrial Development and Export Authority (AIDEA) to issue up to \$20 million in bonds to finance the Kodiak and Fairbanks aerospace projects. It would also allow the ASTF to grant up to \$5 million for the Kodiak and Fairbanks projects to reduce bond costs.

The Alaska Aerospace Development Corporation (AADC) proposed the \$18 million Kodiak Launch Complex. Located at Narrow Cape, south of the City of Kodiak, the complex is considered ideal for launching polar and low-earth orbit satellites because of its high latitude and safe launch trajectories over water to the south. Private industry has already expressed strong interest in the facility, which could support as many as ten launches per year by the year 2000.

-more-

The Fairbanks Satellite Ground Station Space Park, also proposed by AADC, would support the growing constellation of commercial polar orbiting satellites by providing ground command and control, tracking and data retrieval facilities. Because of its location, Fairbanks has an opportunity to capture a portion of the growing worldwide remote sensing market.

Knowles' bill would also allow the Legislature to authorize a \$4 million grant for research, development and commercialization of low rank coal water fuel technology. Coal water fuel is a non-toxic replacement for heavy oil created by mixing finely ground coal with water. A pilot project proved that a very high grade, clean burning product could be made from Alaska coal.

In addition to the \$4 million state grant, a consortium of Alaska businesses; coal and energy experts are seeking federal grants and private investment totaling \$25 million for a demonstration project at the University of Alaska Fairbanks. The project is intended to demonstrate an economically viable means of developing Alaska coal so it can compete on the world energy market.

"The launch and tracking facilities and the coal fuel project hold the promise of future jobs for Alaskan families," Knowles said. "Alaska is well situated to take advantage of these diversified, growing opportunities, but the time to act is now, when interest is high among private industry and government."

Knowles' legislation also would provide ASTF more flexibility to ensure a fair financial return to the state based on the value derived by the grant recipient, and contains provisions dealing with the protection of trade secrets.

Broadcasters note: file footage of the Governor speaking on the aerospace project will be included in today's Governor's Window feed on Ratnet beginning at 3:30 pm.

JB 161
 HB⁺ 315

LOCKHEED MARTIN

April 25, 1995

Pat Landner
 Executive Director
 Alaska Aerospace Development Corporation
 3601 C Street Suite 1400
 Anchorage, AK, 99503

RECEIVED

APR 25 1995

Ans'd.....

Dear Pat,

It is time I let you know what progress we have made in developing a business strategy for the Lockheed Martin corporation relative to the launch complex at Kodiak Island.

As you know, after my visit to Juneau in March, I have had several discussions with the business development community in the Information and Technologies Sector. My trip report was briefed to Mr. Teets on April 5 th by Gary Mann Vice President Business Development.

On April 12 th we had a meeting to discuss the information you provided during your visit here on April 6 th. At that meeting we decided that there was more information needed relative to the facilities at Wallops Island and an understanding of what NASA may want to do with their operations. The attendees were Bill Dordock, Gerry Stanley, Jerry Fallin, Mike Johnson, Mike Zerofsky, Ken Branch, and me.

We went to a meeting with the Technical Director and the staff at Wallops Island on April 18 th, and the results of that meeting are generally that there is a business opportunity at that facility if we take the same approach we are contemplating with Alaska. In our estimation, when we couple the two sites together they make a very attractive opportunity for the corporation. That meeting was attended by Jerry Fallin, Mike Johnson, John Bornholdt and me.

The plans we are developing internally are being discussed at the highest levels of the Lockheed Martin corporation. We have had several meetings with key business development people from three of the major sectors and hope to include the forth soon. In general terms we are evaluating the business potential of the sites and will make a recommendation to the corporation on how to best develop a partnership with the states of Alaska and Virginia that is mutually beneficial for all concerned. One of our goals is to have control of our own destiny when it comes to launch site availability and cost. We currently do not

Distributed To Finance Committee
 By Request

have that control using a government range and we look upon the launch facilities at Kodiak and Wallops as a vehicle for achieving that goal.

We met again on the April 24th in Titusville to report on the trip to Wallops and to assign action items for the next phase of our evaluation. Our schedule of events will take us to a presentation to Mr. Tellep and Mr. Augustine by the first of June. At that time we hope to have direction to complete a more detailed study and to open negotiations with Alaska and Virginia/NASA at Wallops Island. The attendees were: Bill Mallana (S&SMS), Mary Snitch (S&SMS), Jeff Snyder (S&SMS), Bill Derdock (S&SMS), Axel Hohl (S&SMS), Ron Sebastino (S&SMS), Gerry Stanley (Special advisor to Gary Mann -I&TSS), David-Ellis Brown (I&TSS), Jerry Fallon (I&TSS), Dinty Moore (LSSI-I&TSS), Bob Atkins, (Manned Space -I&TSS) Mike Johnson (S&SMS), Mike Zerofsky (I&TSS), Ken Branch (S&SMS), and me.

Our focus today is somewhat limited and will expand as we gain knowledge and understanding. We are looking at becoming an advisor to Alaska and Virginia during Activation of the launch complexes and Ground station and then take over as the operating contractor for the state. We are considering a State Owned Contractor Operated Facility (SOCO).

I'm sure you can appreciate that we are doing is very sensitive from a business standpoint so I would ask you to be discreet in your discussion with others.

We will keep you informed and if you have any questions please feel free to call me any time.

Sincerely



Charles M. Rash
Manager, Advanced Programs
Canaveral Launch Operations
LOCKHEED MARTIN
(407)853-6988

ATTACHMENT NO. 5

FINANCING AND DEVELOPMENT SCHEDULE

Phase I, \$429,200

ASTF has already funded \$185,000 of Phase I of this project. AIDEA has contributed \$30,000. The private-sector consortium members have contributed in-kind services and matching funds totaling \$214,200. Phase I will be complete in early April 1995.

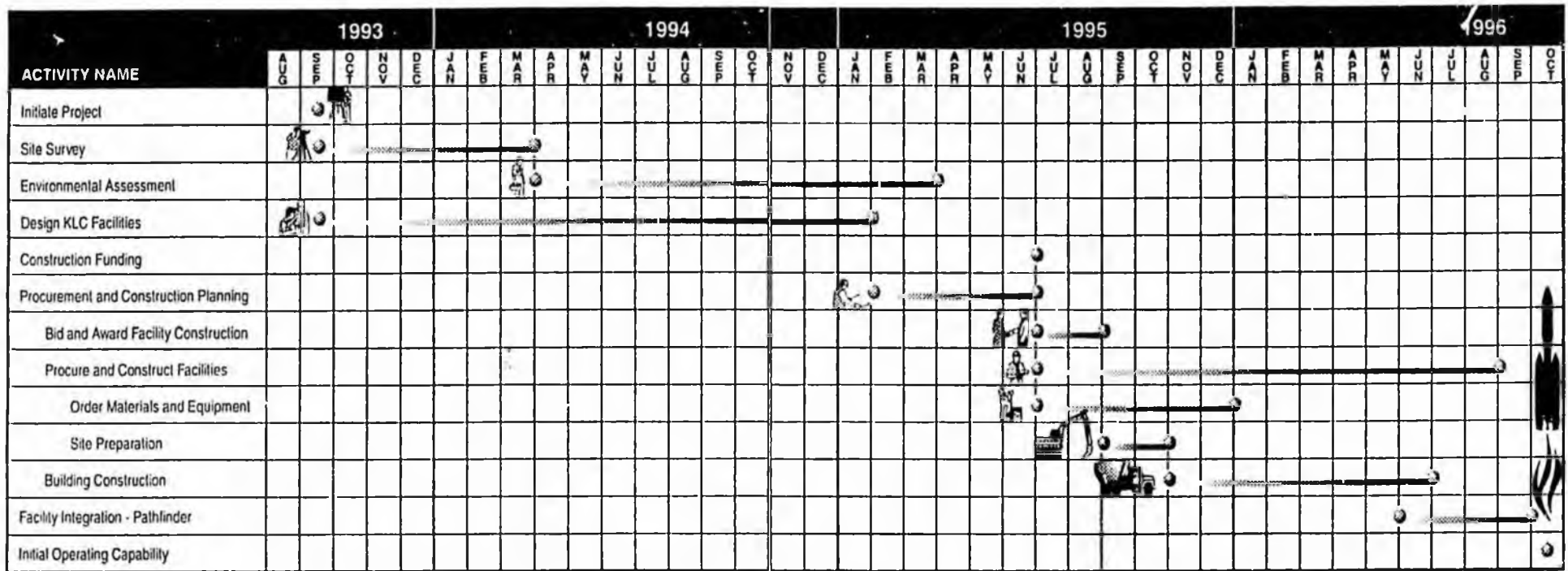
Phase II, total funding \$22,000.00

Proposed funding breakdown:

| | |
|--------------|---|
| \$10,250,000 | Federal DOE grant |
| \$ 8,075,000 | Private sector contributions |
| \$ 3,900,000 | State contingent match (ASTF) (ASTF already has set aside) |

- Complete Phase 1 Business Plan for submittal to ASTF - April 1, 1995.
- Receive ASTF Board approval for phase two funding \$3.8 million - April 15, 1995.
- Finalize Federal funding source and submit proposal package (either piggy back existing CCT projects, or direct appropriation) \$10.25 million - April - May, 1995.
- Begin negotiating ASTF/AIDEA/AK CWF, Inc. contract - May 1995.
- Federal funding approval June - July 1995.
- Forward fund \$1.25 million of ASTF funds, to AIDEA, with conditions that federal funds must be committed prior to being disbursed - Must be done by June 1995.
- Negotiate Federal contract July - August 1995.
- Select A&E and begin detail design - July 1995.
- Order long lead time items - September 1995.
- Initiate permitting - September 1995.
- Begin PICO bldg upgrades - October 1995
- Start module fabrication - March 1996
- Site construction - May 1996
- Begin shake down - September 1996
- Begin operation - April 1997 - August 1998

KODIAK LAUNCH COMPLEX TIMELINE



Produced by Alena Aerospace Development Corporation

Commitments from Federal, Air Force and Aerospace
Officials to attend the 28 March 95 AADC Board Meeting

Mr. Gareth Flora
Vice President
Advanced Launch Systems
Lockheed-Martin

Mr. Richard Keating
Director of Public Relations
EOSAT Corporation

Charley Pugsley, COL., USAF
Secretary Air Force/AQQS(M)
Rocket System Launch Program
(RSLP)

Mr. Bobby Quisenberry
Associate Director
US Dept of Transportation
Office of Commercial Space
Transportation
Washington, DC

Mr. Bob Germaine
Director of Quality and Logistics
Thiokol Corporation

Mr. Roman Matherne
Lockheed Martin
Program Director, RSLP
Minuteman

Mr. Mike Reeder
Rockwell International
Program Development Manager
Research & Technology

Mr. Dan Melzer
TRW Corporation

Ron Miller, LTCOL, USAF
Program Director
RSLP/Minuteman S

Mike Dignan, Maj, USAF
Program Manager, RSLP

Douglas Ooms
Martin Marietta
Manager, NOAA Satellite
Groundstation

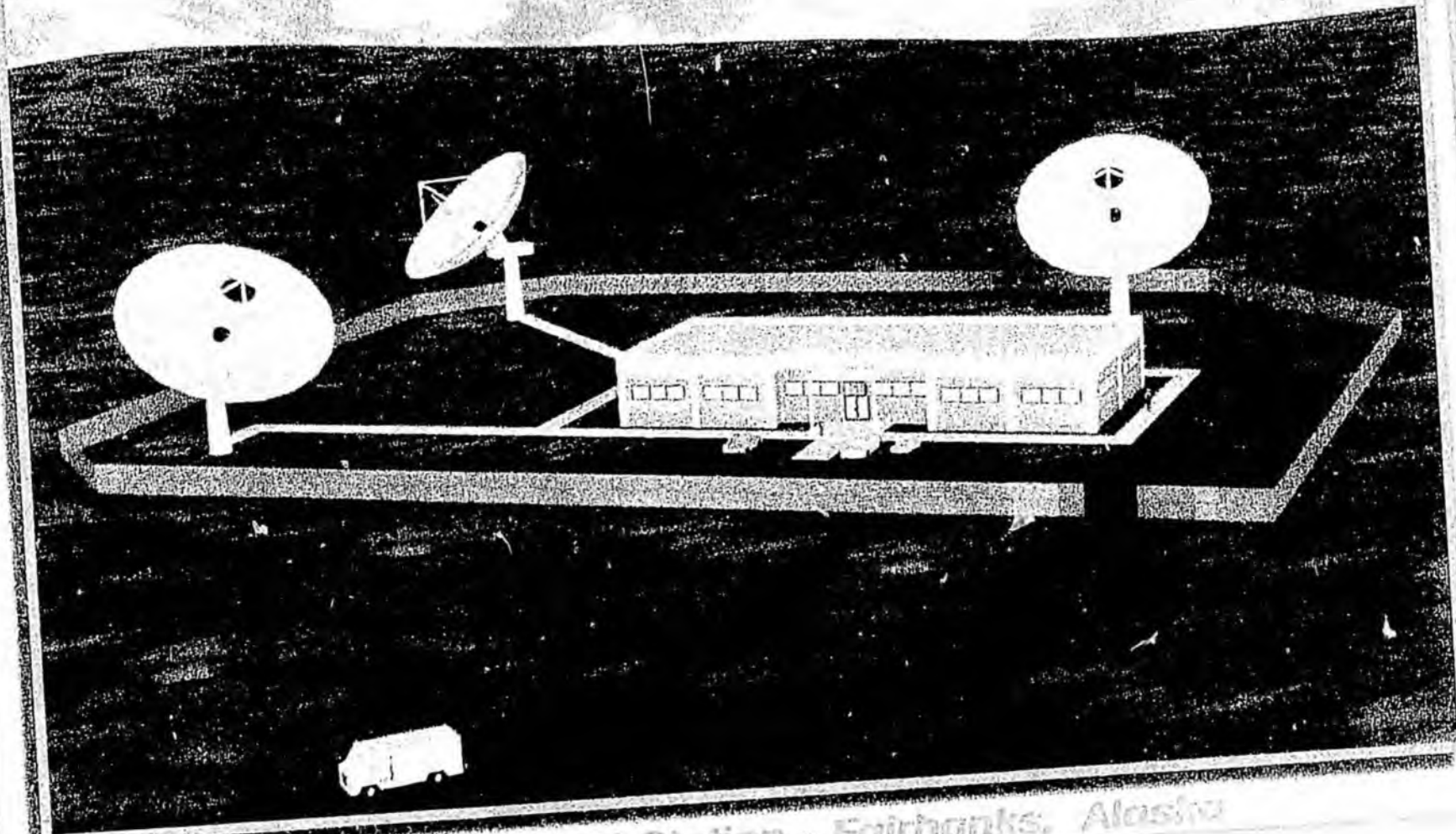
Ms. Karen Vandermeijden
TRW Corporation

Ms. Annie Roskell
Challenger Learning Center
Washington, D.C.

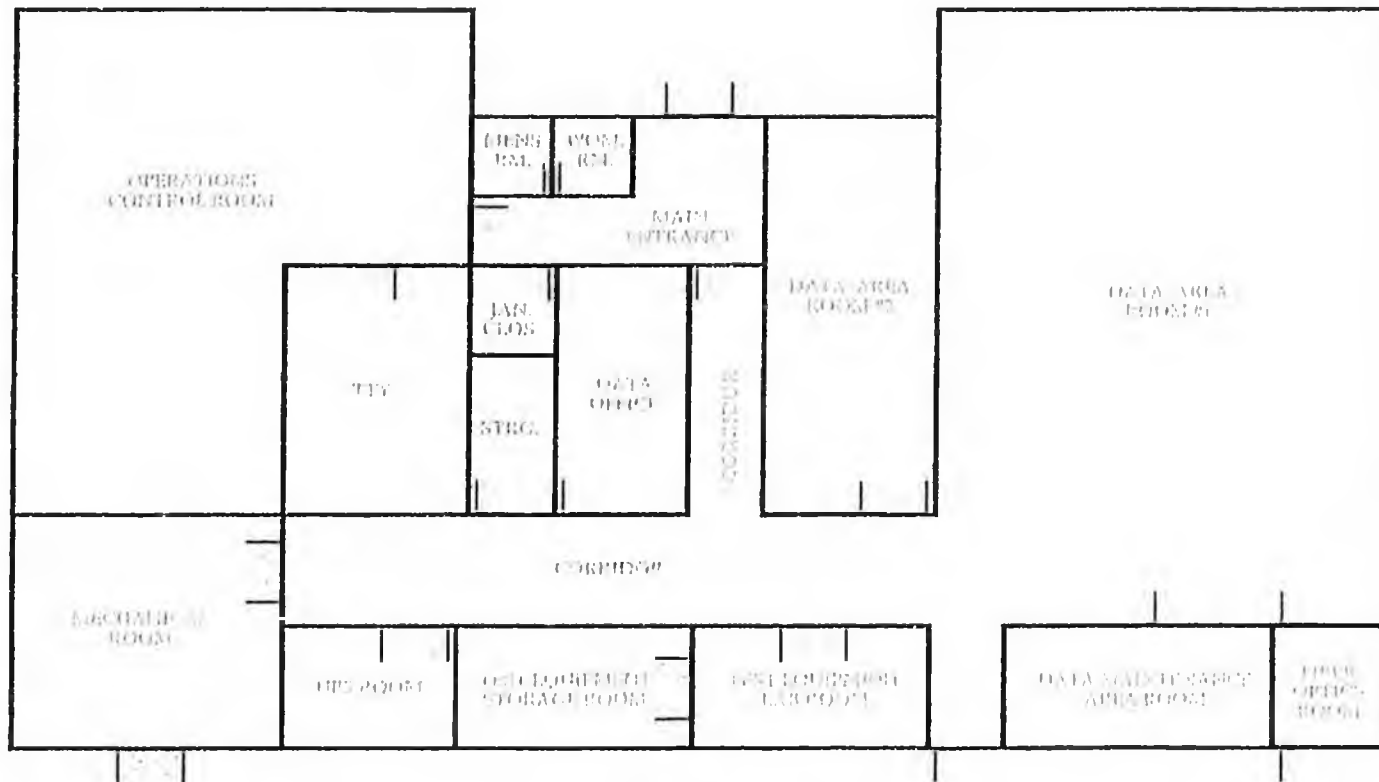
Mr. P.L. Newton
Anser Corporation

Mr. Daniel Ujifusa
Lockheed-Martin
Cherry Hill, New Jersey

Chuck Rash
Lockheed Martin
Technologies Inc.



Satellite Ground Station - Fairbanks, Alaska



Floor Plan

7000 sq. ft. Building
(130' X 60')

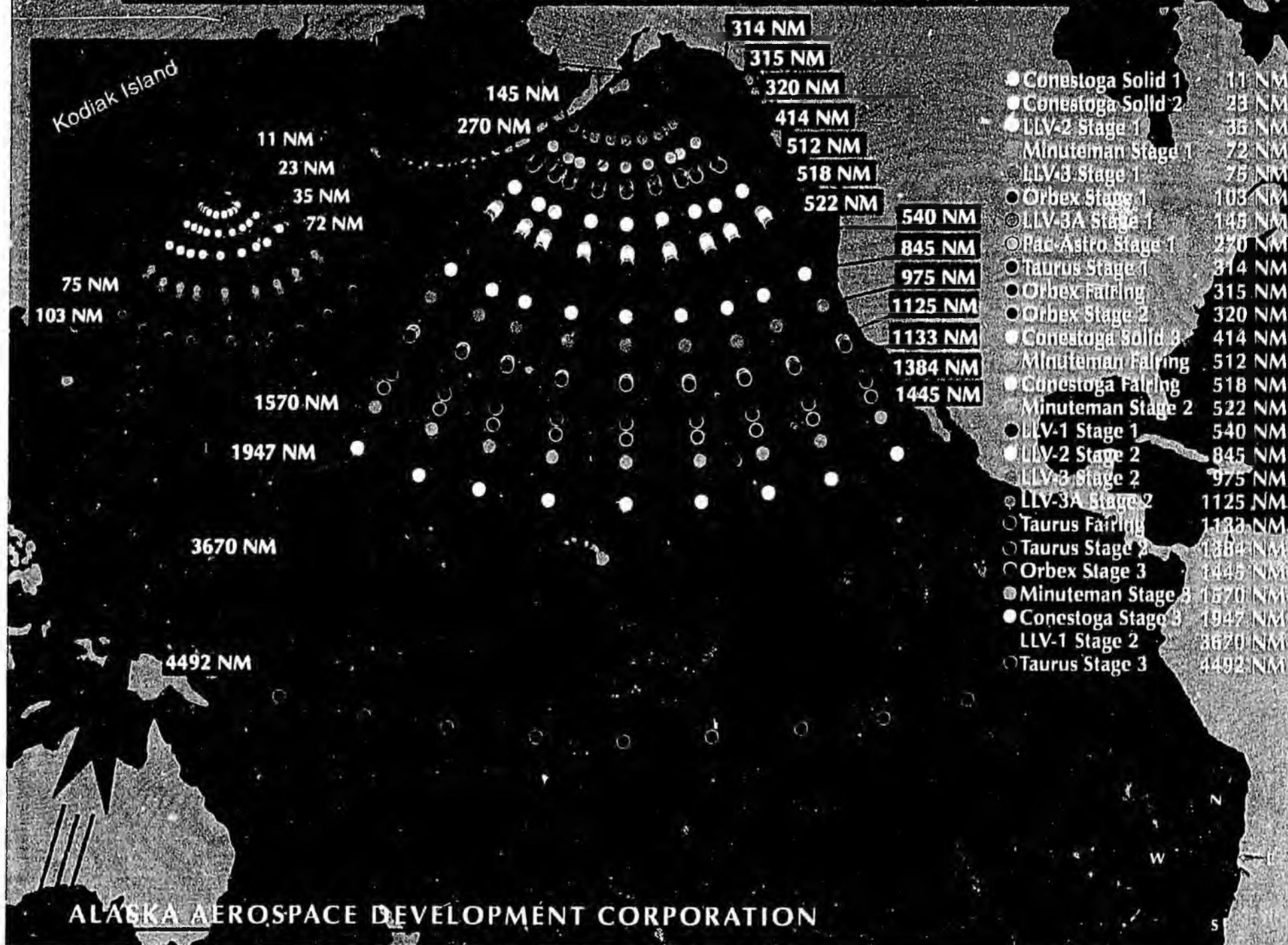
Satellite Ground Station - Fairbanks, Alaska

A high-contrast, black and white map of Alaska. The landmass is rendered in a dark, grainy texture, while the surrounding oceans and seas are a lighter, stippled gray. The map shows the entire state of Alaska, including the Aleutian, Kuskokwim, and Kodiak archipelagos. A prominent white line, likely representing a launch profile or flight path, curves across the central part of the state. In the bottom right corner, there is a small compass rose with the letter 'W' and a scale bar. The text 'LAUNCH PROFILES FROM KODIAK ISLAND, ALASKA' is printed in a bold, sans-serif font across the top of the map. At the bottom left, the text 'ALASKA AEROSPACE DEVELOPMENT CORPORATION' is printed in a similar font, with a small graphic of three parallel diagonal lines to its left.

LAUNCH PROFILES FROM KODIAK ISLAND, ALASKA

ALASKA AEROSPACE DEVELOPMENT CORPORATION

LAUNCH PROFILES FROM KODIAK ISLAND, ALASKA



ALASKA AEROSPACE DEVELOPMENT CORPORATION