

**HB**

**556**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/1/04

FURTHER:

REPORTED OUT

MAY 05 2004

SENATE FINANCE  
COMMITTEE

DATE TURNED  
IN TO OFFICE: 5 May 2004

Finance Committee considered CS FOR HOUSE BILL NO. 556(FIN)

## HB 556 AIDEA BONDS FOR LYNN CANAL PORT

"An Act relating to a port development project on Lynn Canal, providing legislative approval for the Alaska Industrial Development and Export Authority to issue bonds for the project; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**

- Same Title
- New Title

**House Bill:**

- Same Title
- Technical Title Change
- New Title w/ SCR # \_\_\_\_\_

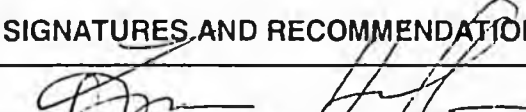
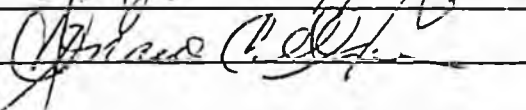
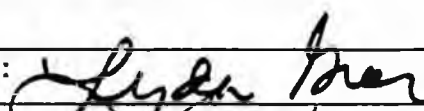
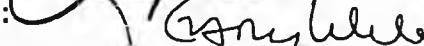
**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero.	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
DCED	7/2004			✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
			✓	
			✓	
COCHAIR: 	✓			
COCHAIR: 	✓			

MAY 05 2004

SENATE FINANCE  
COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: CSHB 556(TRA)  
(H) Publish Date: 4/28/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
Title AIDEA Bonds For Lynn Canal Port RDU AIDEA (125)  
Sponsor House State Affairs Component AIDEA  
Requester House Transportation Component No. 1234

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This bill provides bonding authorization to finance the acquisition, development, improvement, and construction of port and related facilities for use in conjunction with mining activities and located at Lynn Canal in Southeast Alaska. Prior to issuing bonds, AIDEA will be required to conduct a feasibility, market and risk analysis of the project as outlined in AS 44.88.095(c). The bill allows other sources of financing in lieu of bond proceeds. The principal amount of the bonds and other financing provided by AIDEA may not exceed \$20 million.

Bonds sold to finance the project will have no impact on the General Fund.

Prepared by: Sara Fisher-Goad, Financial Analyst Phone 907-269-4623  
Division Alaska Industrial Development & Export Authority Date/Time 4/26/04 4:15 PM  
Approved by: Edgard Blatchford, Commissioner Date 4/26/2004  
Agency Department of Community & Economic Development

# ALASKA STATE LEGISLATURE

**Representative Bruce Weyhrauch**

HOUSE DISTRICT 4

ALASKA  
STATE CAPITOL  
JUNEAU, ALASKA  
99801-1182

(907) 465-3744  
FAX (907) 465-2273

**State Affairs Committee**

Rep. Bruce Weyhrauch, Chair

**HB 556**

## **AIDEA Bonds for a port development project on Lynn Canal**

The Alaska Development and Export Authority, or AIDEA, is a unique funding mechanism that focuses on the development, ownership, and operation of facilities within Alaska. To be considered for funding, projects like roads, ports and utilities must meet specific statutory criteria: they are essential to the economic well-being of an area; are financially feasible; and are supported by the communities in which they are located. AIDEA has been a key player in many of Alaska's economic successes through the years. AIDEA programs have financed small projects, such as the Unalaska Marine Center dock, and larger ones such as the multi-million dollar Red Dog mine and Federal Express aircraft maintenance facility.

HB 556 continues AIDEA's role in boosting economic development and creating jobs in the state by providing legislative authorization for construction of port facilities located on Lynn Canal in Southeast Alaska.

The developed port facility would become an integral component in the permitted Kensington Mine project north of Juneau at the confluence of Lynn Canal and Berners Bay. Once construction begins, the project is expected to employ 325 workers and during its 15 or more operational years, the Kensington will employ about 225 workers. The operational mine is expected to support up to 180 additional indirect jobs as well.

The entire central and northern Southeast regions eagerly await the infusion of construction and mining jobs and the state is fortunate to have a financially healthy agency like the AIDEA to forge public-private partnerships that can strengthen Alaska's economic base.

Contact: Linda Sylvester  
465-3744

Released: April 22, 2004

## Questions and Answers about HB 556

Q. *Why is this bill so late in coming to the Legislature?*

A. Coeur recently finished its Pre-feasibility study, and is into the detail design phase. In this phase, Coeur initiated discussions with AIDEA about how we could work together. These discussions began in April. In order to make this arrangement feasible, the bill needs to pass during this session.

Q. *Is this bill standard language for this type of an arrangement?*

A. Yes

Q. *Why can't Coeur do this themselves?*

A. They can. Coeur could build and pay for the docks up front, manage them privately, and teardown at the end of the mine life (or make other arrangements if desired and approved). The advantage to using the AIDEA funds is that the docks are paid off over the life of the mine, and the financing is tax exempt. Coeur still pays for the docks in both cases. The advantage to AIDEA and the State of Alaska is that, once approved, the docks will be maintained for the public use after the mine is gone.

Q. *Is Coeur in good financial shape?*

A. Currently Coeur is in exceptional financial condition. We have \$258 Million in net assets. We are the second largest US based mining company on the NYSE. Our market capitalization is nearly \$1.2 billion. In the last 2 ½ years our share price has risen from below \$1.00 a share to over \$7.50 per share. Along with renewed investor interest we completed the restructuring of the company, eliminated our outstanding debentures, further developed our new generation of mines in Chile and Argentina, and advanced our development projects. Coeur recently raised \$180 million in cash in order to fund our new projects, Kensington being one of them. Coeur is in its strongest financial condition in more than a decade.

Alternative "B" of the SEIS has improved economics that will allow Kensington to produce gold at levels below any price seen in the last 10 years. Persons nervous about the financial well being of Coeur should be supportive of Alternative "B" in the current permitting process.

Q. *Could the road extension to Cascade Point be restricted in any way, or could tolls be charged?*

A. The road to Cascade Point has already been permitted, and a Record of Decision has been issued. That ROD addresses the use of the road, which includes public access. The Master Plan submitted by Goldbelt included development of Cascade point, not seclusion. In time, the object will be to have public facilities and encourage public use. There is no intention of any toll whatsoever.



THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES



**FIGURE 2**  
**SITE ACCESS PLAN**

Date:	APRIL 2000
Project:	100819
File:	ROUTING.dwg

### Kensington (Alaska)

In 2004, Coeur's major gold project – Kensington in Alaska – neared completion of permitting and an updated feasibility study, with a construction decision expected by mid-year. Given an 18-month construction timeframe, Kensington could begin production as soon as 2006, increasing current company-wide gold production levels by 90%.

New optimization of the project, located 45 miles north of Juneau, enables the mine to be up and running more quickly, with a focus on the highest-grade material. Initial production is expected at 100,000 ounces of gold a year at an average cash cost of \$195 per ounce. Current reserves stand at 1.0 million ounces of gold, with an initial 10-year mine life and significant exploration upside. There are an additional 7.2 million tons of mineralized material measuring 0.12 ounces per ton of gold. Not all Kensington ore zones have been fully delineated at depth and several peripheral zones and veins remain to be explored. Coeur still views its interests in the district as holding up to five million ounces of gold.

Kensington is expected to cost approximately \$75 million to build. The updated feasibility study reduces the size of the mill facilities and has the potential to significantly reduce capital and operating costs while allowing for future expansion of production as market conditions warrant.

Early this year, the major Draft Supplemental Environmental Impact Statement was Issued for Kensington, and all necessary remaining permits expected to be in place by the second quarter.

The Kensington ore deposit consists of multiple, precious metals bearing, mesothermal, quartz, carbonate, pyrite vein swarms and discrete quartz-pyrite veins hosted in the Cretaceous age Jualin diorite. The gold-telluride-mineral calaverite is associated with the pyrite mineralization.

#### Year-end Proven and Probable Ore Reserves - Kensington Property

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Tons (000's)	4,113	10,946	10,946
Ounces of gold per ton	0.24	0.16	0.16
Contained ounces of gold	1,003,000	1,751,000	1,751,000

#### Year-end Mineralized Material

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Tons (000's)	7,262	12,014	12,014
Ounces of gold per ton	0.12	0.12	0.12

Provided by Rep. Weyhrauch

The reduction in the proven and probable reserves estimate in 2003, compared to 2002, is the result of the revised mine plan which focuses on higher-grade areas of the mine.

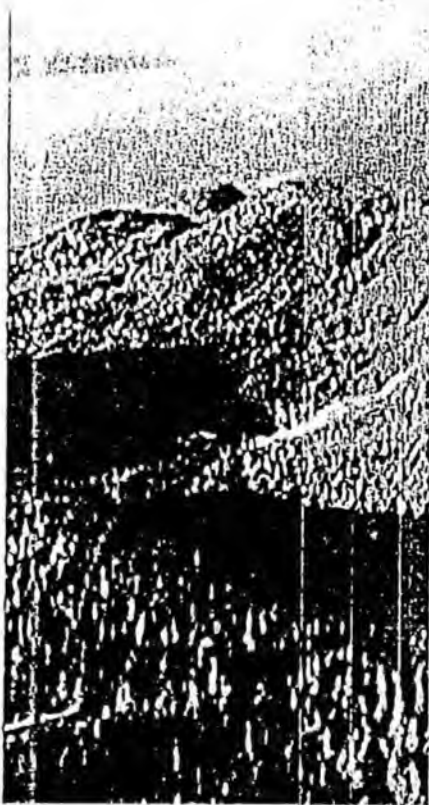
Not all Kensington ore zones have been fully delineated at depth and several peripheral zones and veins remain to be explored. In addition, the Company possesses the right to develop the Jualin property, an exploratory property located adjacent to the Kensington Property. The Jualin property consists of approximately 9,400 acres, of which approximately 345 acres are patented claims. The Company's rights to develop the Jualin property are subject to an agreement which must be renewed in May 2008.



# KENSINGTON GOLD PROJECT

## Project Summary and Overview of Partnership Opportunities

April 2004





# KENSINGTON

## GOLD PROJECT

### Project Overview

#### Summary

- Technically feasible, environmentally friendly, and economically viable
- Located 45 miles North of Juneau
- One million ounces of gold reserves; total potential of five million ounces
- Annual production of 100,000 ounces at cash costs under \$200 per ounce
- Capital costs expected to be \$90 million
- Owned by Coeur since 1987; over \$150 million invested in project to date
- Over 900 studies conducted; Over 50 permit applications
- Permitting expected to be completed in June; Construction to begin in July
- Current gold price, Coeur's renewed financial strength, and re-engineered project have created opportunity to rapidly develop project

#### Significant Employment Impact in SE Alaska

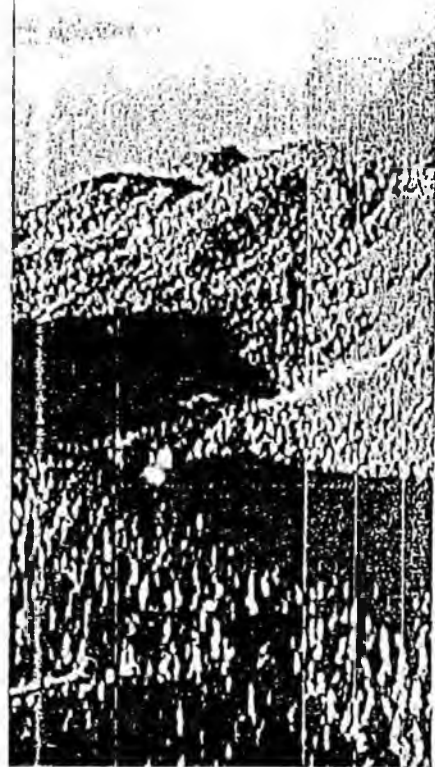
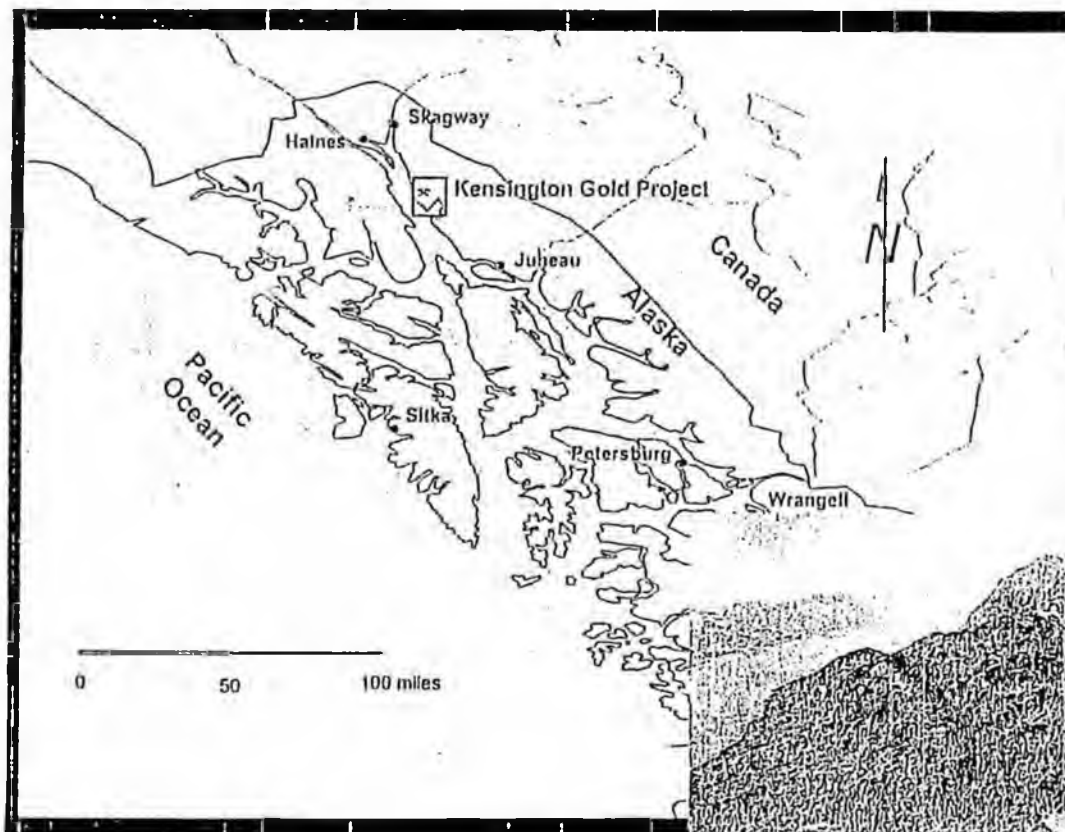
- 250-300 well-paying construction jobs over 18 month construction window
- 110-225 well-paying operating jobs over 10-20 year expected mine life
- Nearly 500 jobs expected to be created beyond direct mine employment (transportation, supplies, services)





# KENSINGTON GOLD PROJECT

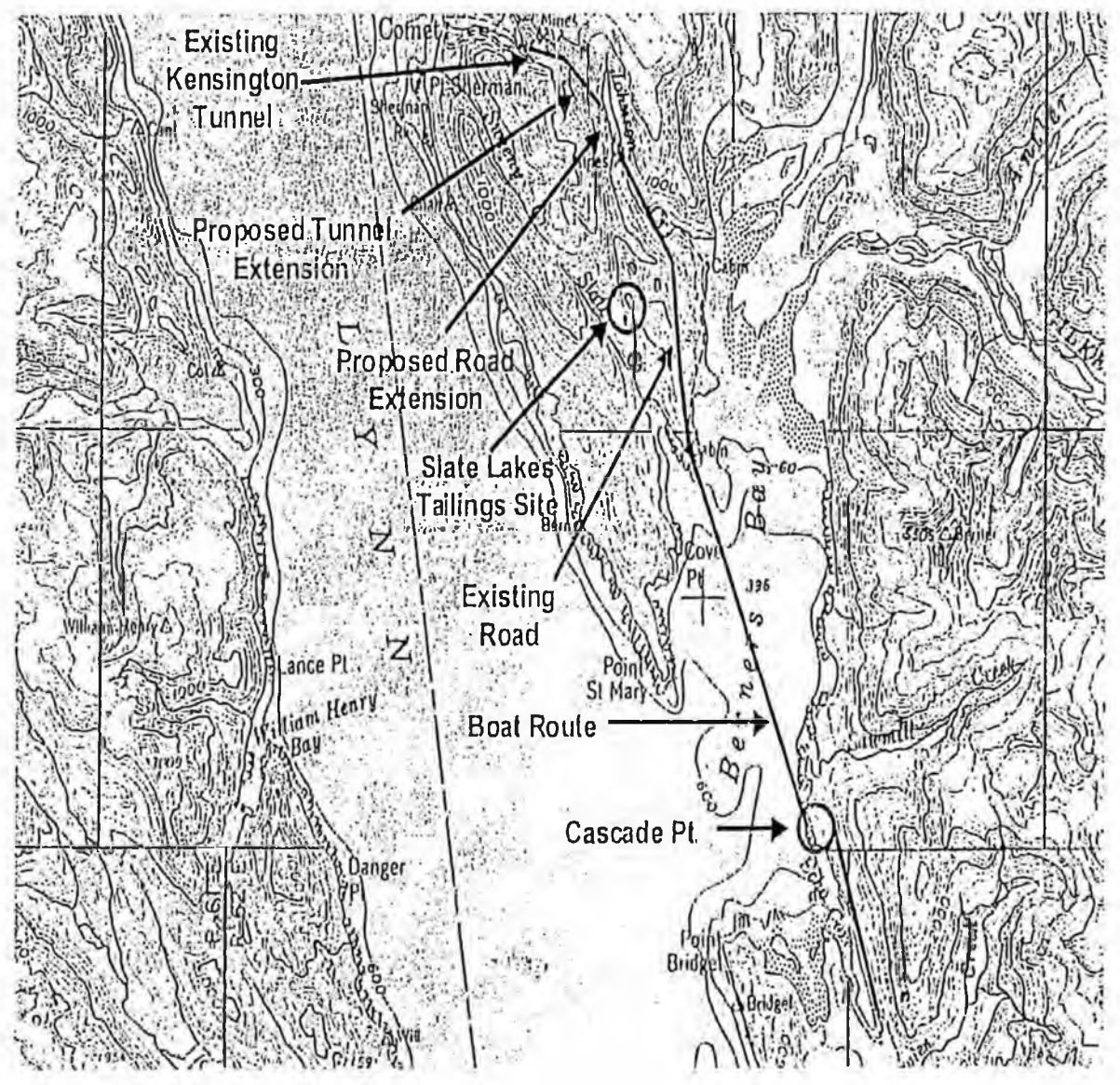
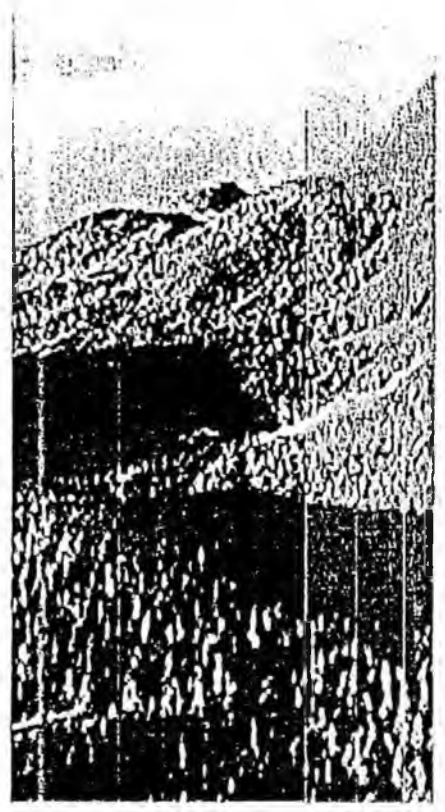
## Location





# KENSINGTON GOLD PROJECT

## Layout of Mine and Facilities





# KENSINGTON GOLD PROJECT

## Summary of Potential Partnership Opportunities

- Training of Workforce
- Bus Transportation for Workers
- ✓• Cascade Point Dock Facilities
- Passenger Ferry Service Across Berners Bay
- ✓• Slate Creek Cove Dock Facilities
- ✓• 5.5 mile Slate Creek Road
- ✓• On-Site Power Plant
- ✓• 8,000ft Tunnel Connecting Kensington and Jualin
- ✓• Tailings Management Facility

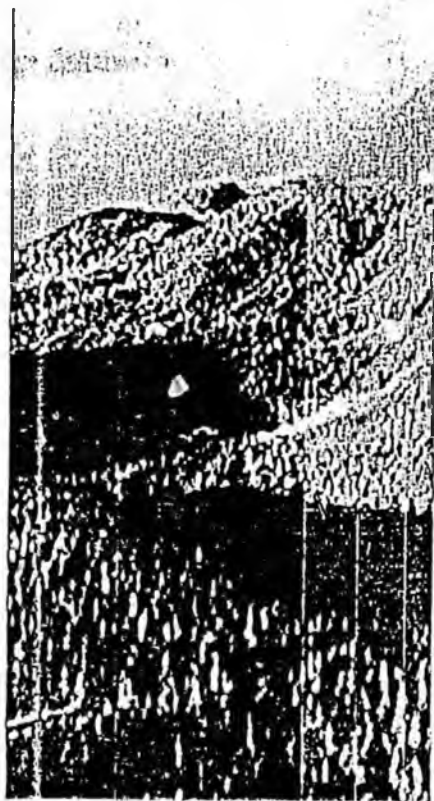




# KENSINGTON GOLD PROJECT

Summary of Potential  
Partnership Opportunities

## Training of Workforce





# KENSINGTON

## GOLD PROJECT

### Training of Workforce

#### Description

- Construction phase will employ a minimum of 300 people both in Coeur employees and contract employees
- Development on the Jualin tunnel and pre-mining development on the Kensington ore faces will coincide with construction. Required manpower will be approximately 25 people.
- Operational manpower will range from 125 to 230 people depending on production levels.

#### Request

- Funding assistance with the following training requirements:
  - New Miner Training required by MSHA is expected to cost \$500,000
  - Alaska Cultural training for employees is expected to cost \$200,000
  - Skill-based training is estimated to cost \$750,000

#### Contact

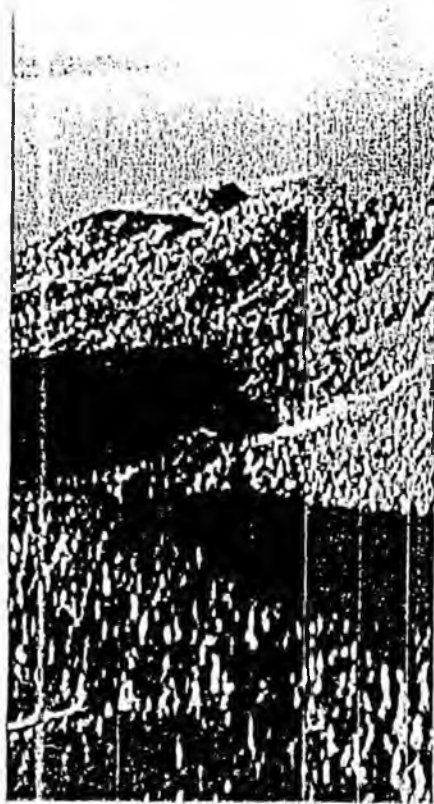
Gary W. Banbury

Sr. Vice President of Human Resources, Safety, and Administration

Coeur d'Alene Mines Corporation

(800) 624-2824

[gbanbury@coeur.com](mailto:gbanbury@coeur.com)





# KENSINGTON GOLD PROJECT

Summary of Potential  
Partnership Opportunities

## Bus Transportation for Employees





# KENSINGTON GOLD PROJECT

## Bus Transportation for Workers

### Description

- 2-3 busses will be required to transport workers from the Slate Creek marine terminal to the mine site on a 5.5 mile road
- Loading and trip from dock is assumed to take 30 minutes one way

### Request

- Third party to supply and operate busses
- User fee charged to Coeur for this service

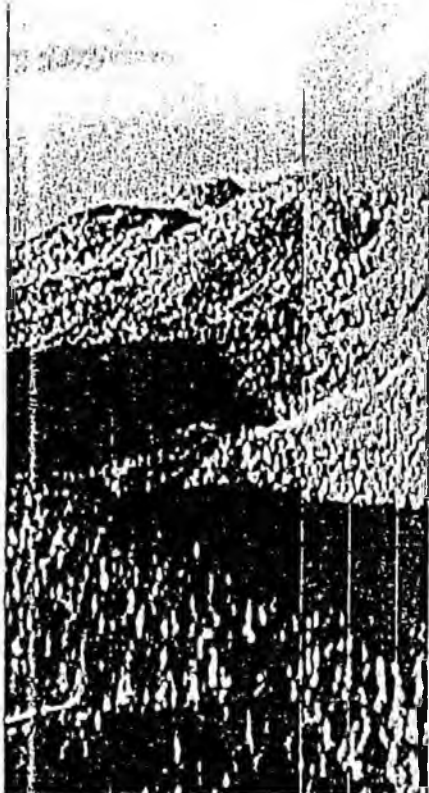




# KENSINGTON GOLD PROJECT

Summary of Potential  
Partnership Opportunities

## Cascade Point Dock Facilities





# KENSINGTON

## GOLD PROJECT

### Cascade Point Dock Facilities

#### Description

- The project requires a marine terminal at Cascade Point
- Kensington currently has no facilities to transfer freight, supplies, and personnel to and from the mine
- This marine terminal would be constructed on state tidelands.
- Goldbelt Inc. owns the surrounding uplands
- See following page for detailed design drawings. A detailed study was completed by Peratrovich, Nottingham and Drage, Inc. outlining the required construction and , which is available upon request.

#### Cost of Facilities

- \$2,900,000

#### Request

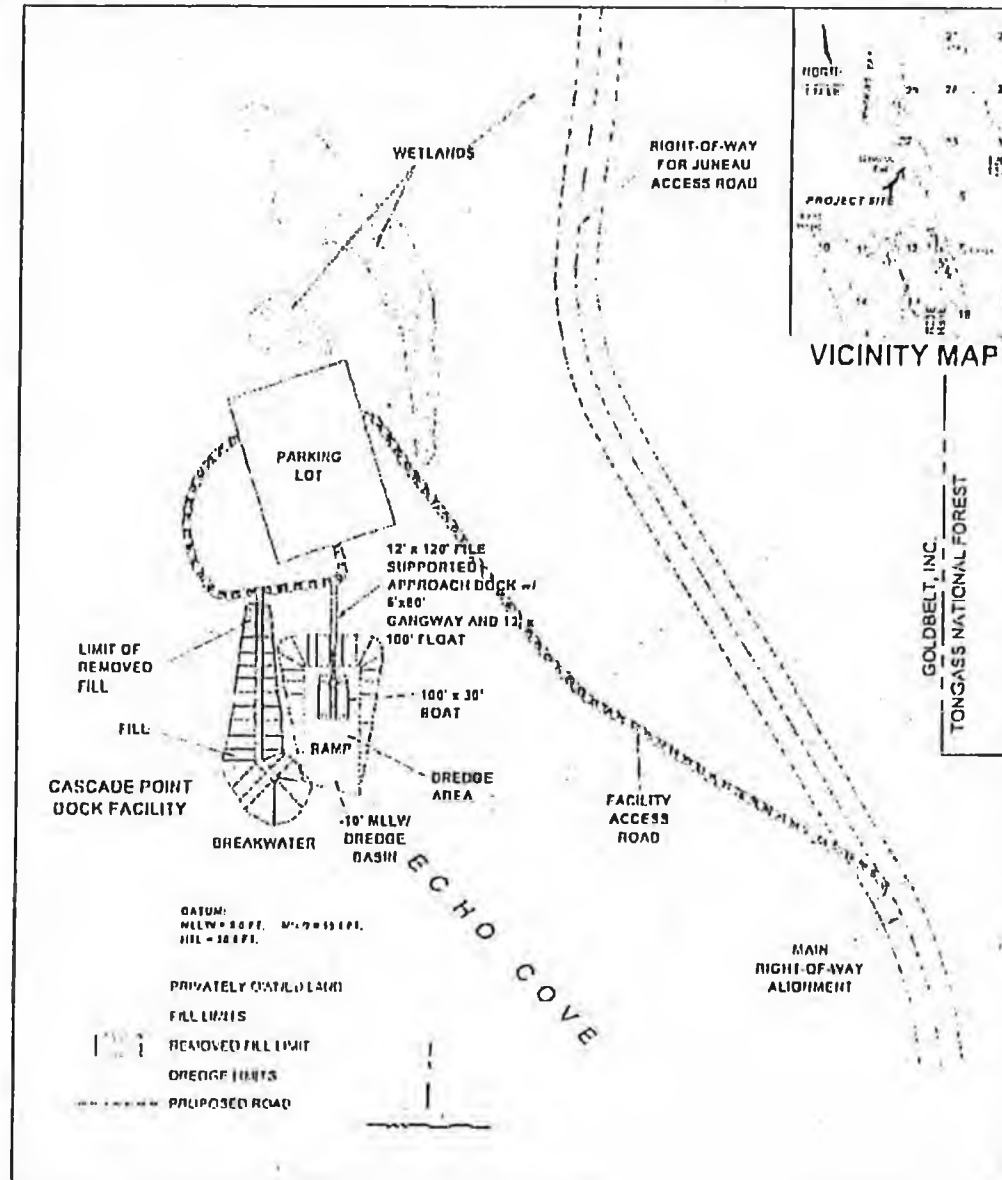
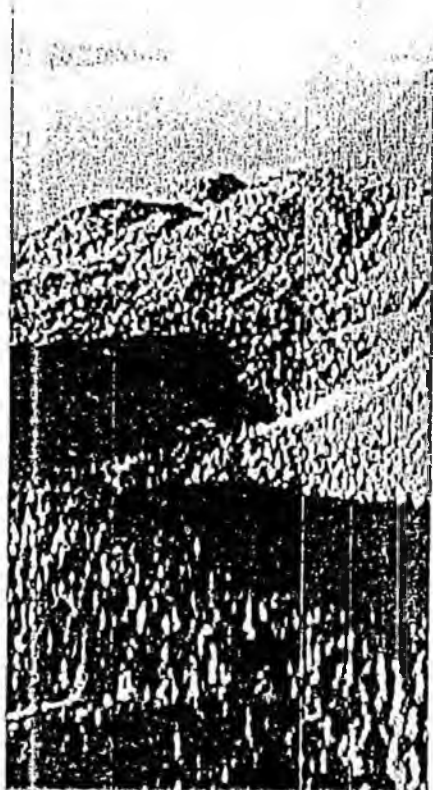
- Grants or financing to fund the construction and operation of this facility
- Outsource ownership and operation of facility to a third party



COEUR  
ALASKA

# KENSINGTON GOLD PROJECT

## Cascade Point Dock Facilities

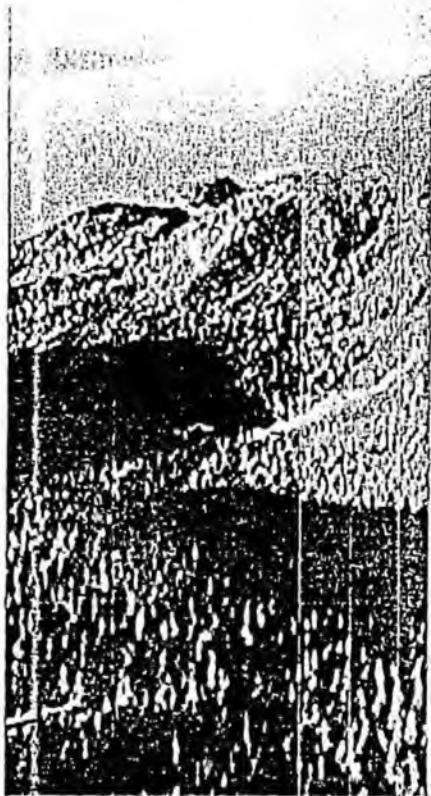




# KENSINGTON GOLD PROJECT

## Summary of Potential Partnership Opportunities

### Passenger Ferry Service Across Berners Bay





# KENSINGTON GOLD PROJECT

## Passenger Ferry Service

### Description

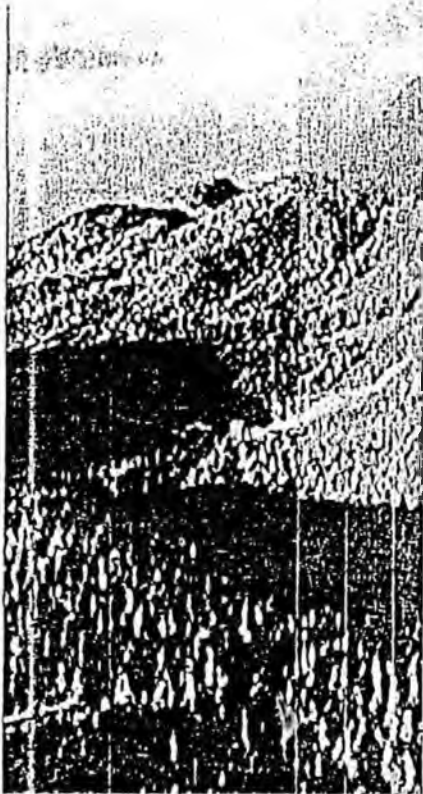
- Kensington requires a ferry capable of transporting one full shift of workers (+/- 60 people plus freight) three times per day from a marine facility at Cape Point to Slate Creek Cove
- Trip across Berners Bay is estimated to take fifteen minutes
- 365 days per year; 7 days per week

### Cost

- Adequate vessel estimated to cost approximately \$1.0 - \$1.5 million

### Request

- Third party to supply and operate ferry
- User fee charged to Coeur for this service
- During time not in use for transporting workers, vessel may be used for other activities





# KENSINGTON GOLD PROJECT

Summary of Potential  
Partnership Opportunities

## Slate Creek Cove Dock Facilities





# KENSINGTON

## GOLD PROJECT

### Slate Creek Cove Dock Facilities

#### Description

- It is necessary to construct a port facility at Slate Creek Cove in order to transfer freight, supplies, and personnel to and from Cascade Point
- The concentrate handling, storage, and load-out facility will also be located at this dock

#### Cost

- \$4,400,000 million
  - \$3.3 million for dock facilities
  - \$1.1 million for concentrate handling facilities

#### Request

- Grants or financing to fund the construction and operation of this facility
- Outsource ownership and operation of facility to a third party

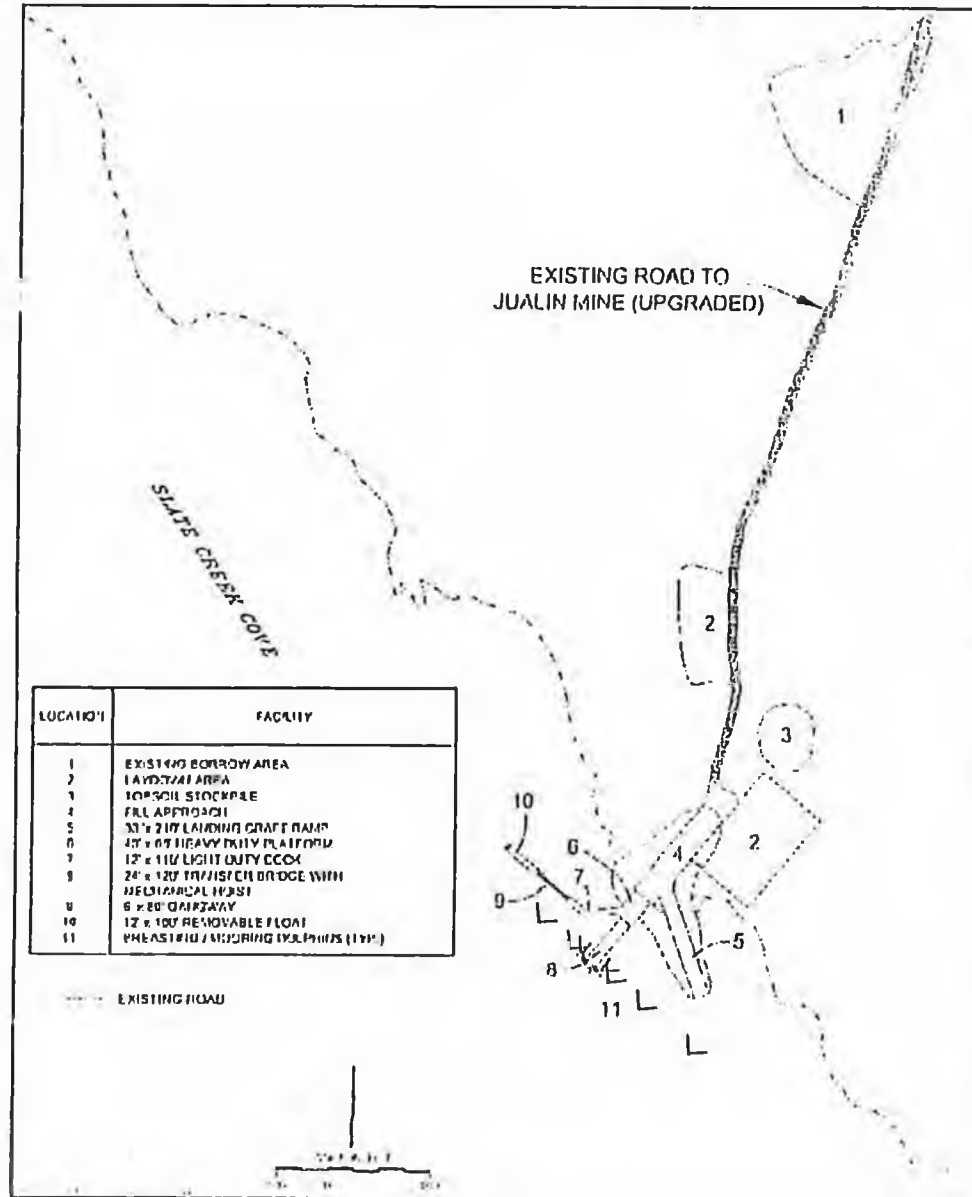




# KENSINGTON

## GOLD PROJECT

### Slate Creek Cove Dock Facilities





# KENSINGTON GOLD PROJECT

Summary of Potential  
Partnership Opportunities

## Slate Creek Road





# KENSINGTON

## GOLD PROJECT

### Slate Creek Road

#### Description

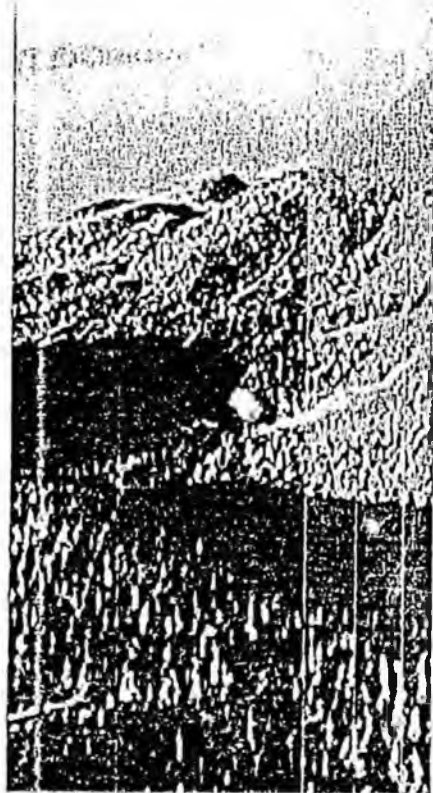
- In order to access the mill site and nearby ore body, Coeur needs to construct/improve the 5.5 mile road from Slate Creek Cove.

#### Cost

- Road: \$2,028,000

#### Request

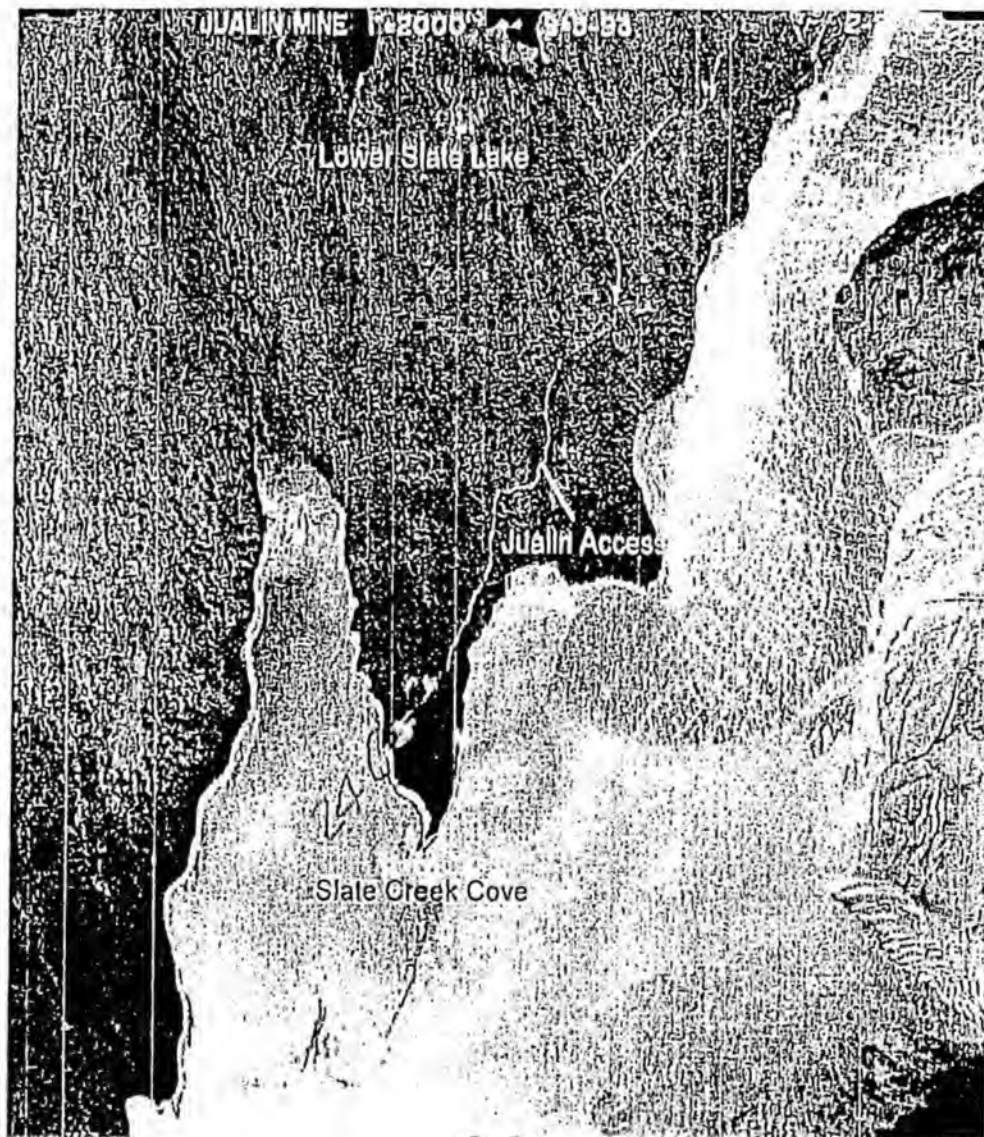
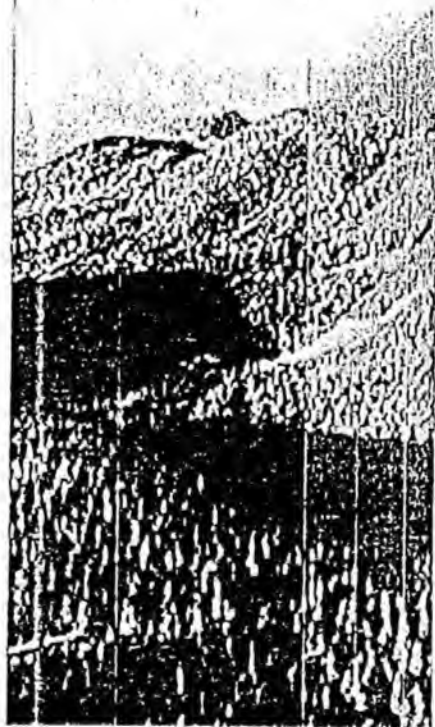
- Funding from ADOT under its "Roads to Resources" initiative to upgrade this road





# KENSINGTON GOLD PROJECT

Slate Creek Road





# KENSINGTON GOLD PROJECT

Summary of Potential  
Partnership Opportunities

## On-Site Power Plant





# KENSINGTON

## GOLD PROJECT

### On-Site Power Plant

#### Description

- Power will be generated on site that will require a generating plant and stand-by generating capability
- The normal power demands for the mine, process plant and ancillary facilities are estimated to be 3.8 MW
- A 20% allowance for intermittent peak load is designed into the generation facility
- Four medium speed 1.5 MW diesel generator sets (three operating, one stand-by) are designed to satisfy Kensington's total requirements

#### Cost

- \$6,100,000

#### Request

- Grant money or alternative financing to purchase generators
- Outsourcing this component of the project to a third party to own and operate in exchange for a user fee





# KENSINGTON GOLD PROJECT

Summary of Potential  
Partnership Opportunities

**Tunnel Connecting Jualin and Kensington**





# KENSINGTON GOLD PROJECT

## Tunnel

### Description

- In order to access the ore body, Coeur needs to construct an 8,000 foot tunnel connecting the Jualin and Kensington areas of the mine
- Integral component to minimizing surface disturbance and allowing Coeur to re-locate processing facilities to Jualin side from the Kensington side
- Also makes commuting from other regions feasible for workers
- Necessary to access ore body

### Cost

- \$5,363,000

### Request

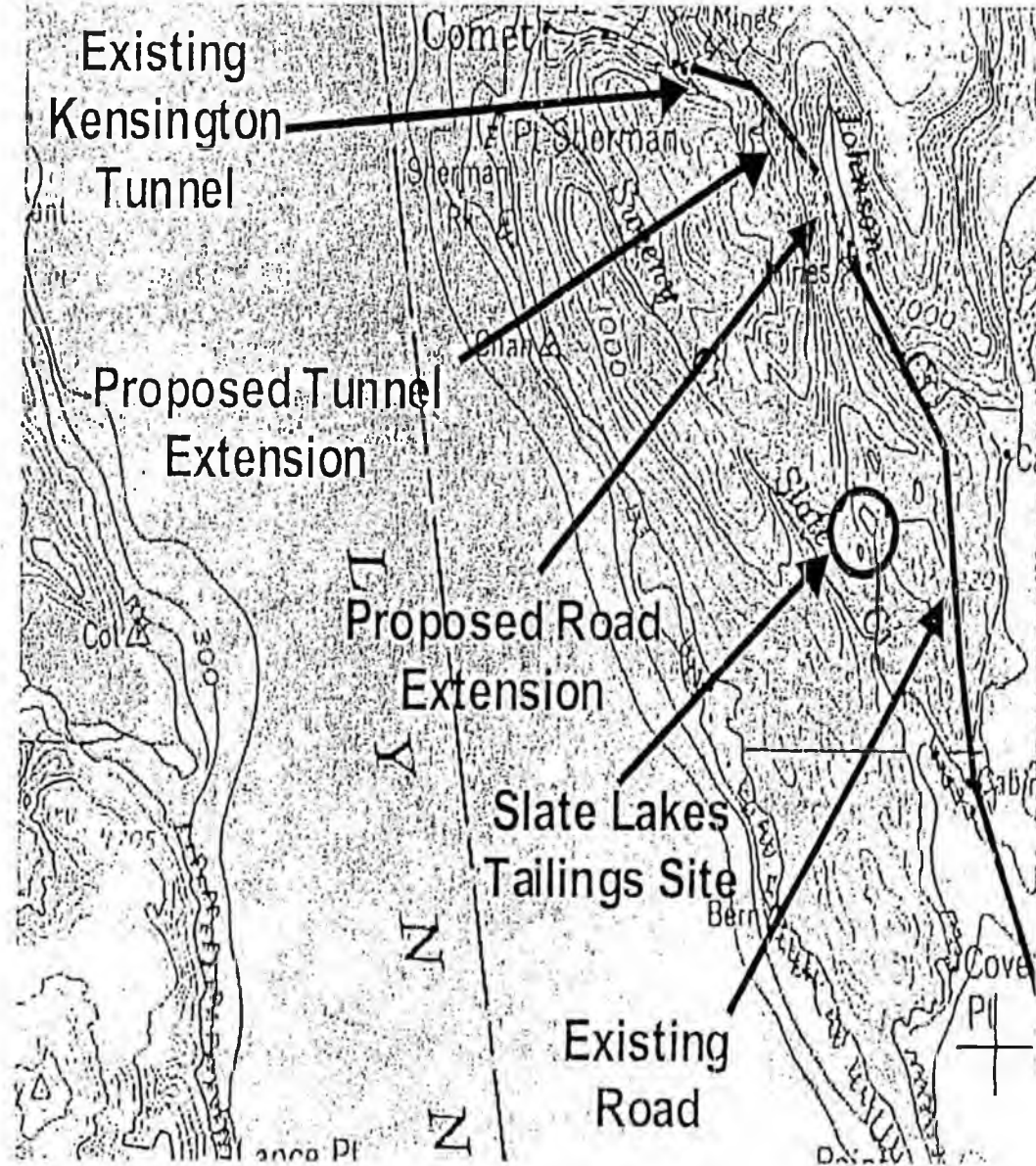
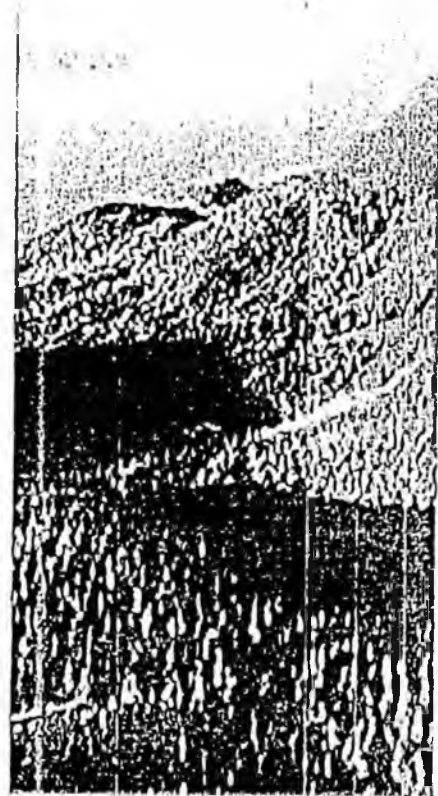
- Grant money or alternative financing to fund the development of this underground road to the ore body





# KENSINGTON GOLD PROJECT

## Tunnel





# KENSINGTON GOLD PROJECT

Summary of Potential  
Partnership Opportunities

## Tailings Management Facility





# KENSINGTON GOLD PROJECT

## Tailings Management Facility

### Description

- Construction of an environmentally sound tailings impoundment area that will be reclaimed to a natural state upon cessation of mining
- This facility will utilize new, environmentally friendly technology that will establish and confirm new restoration techniques that can be utilized at other tailings facilities.

### Cost

- Total capital costs: \$8,737,250
- Ongoing monitoring costs: \$1,365,000 (\$130,000 annually over 10.5 yrs)

### Request

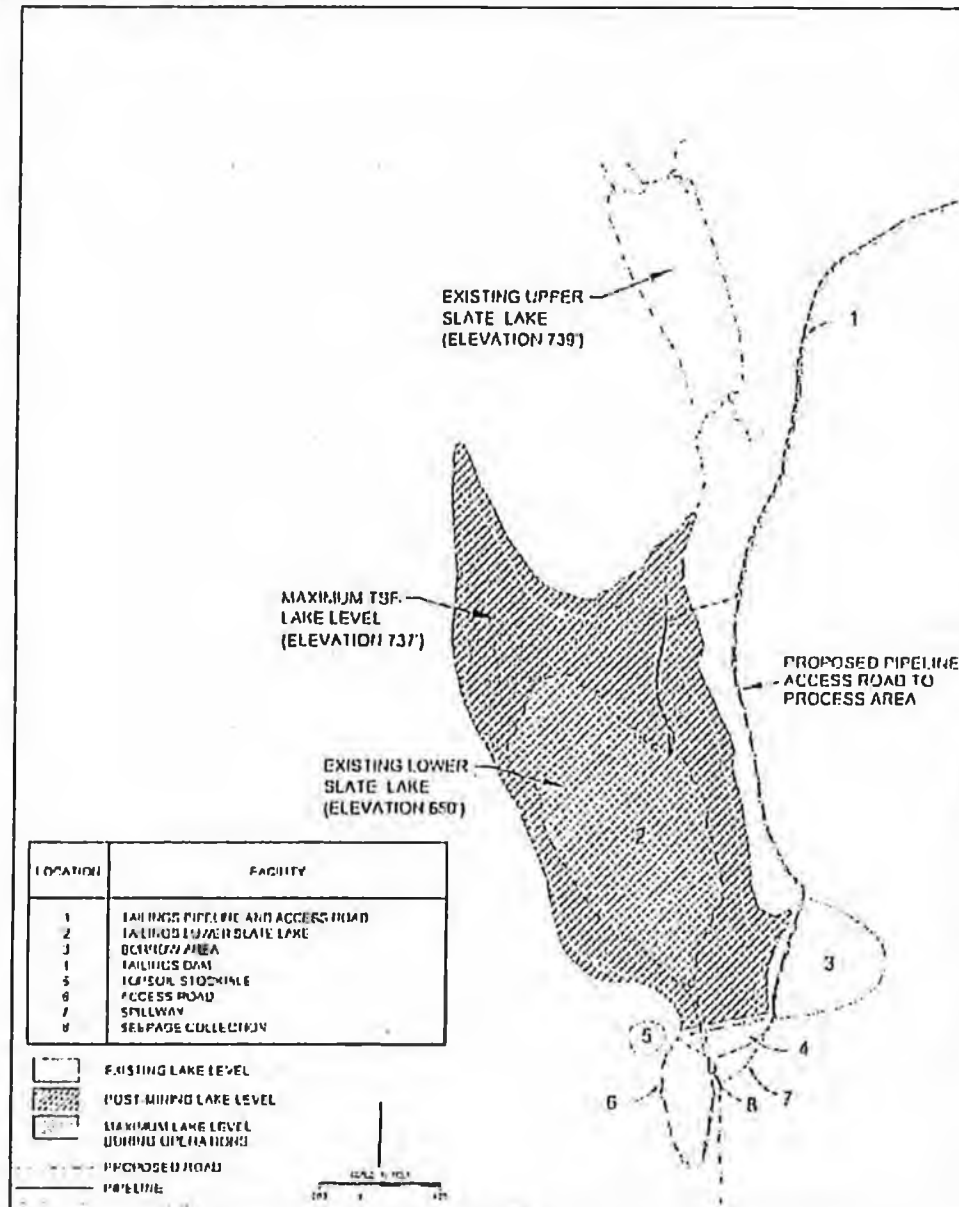
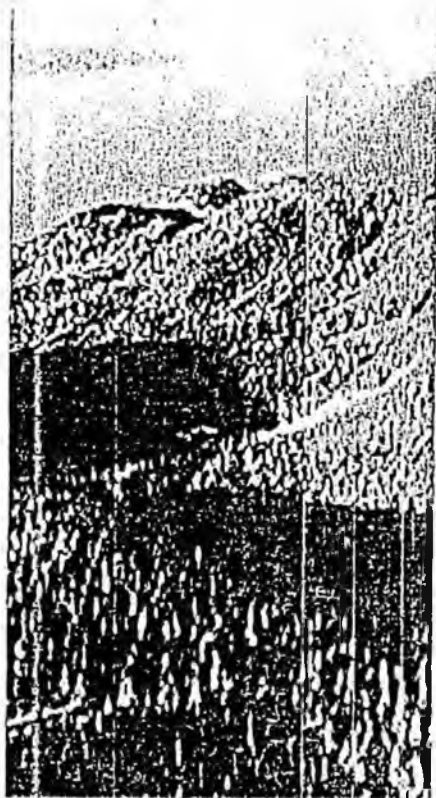
- Grant money or alternative financing to fund the development and operation of this facility
- Outsourcing this component of the project to a third party to own and operate in exchange for a user fee

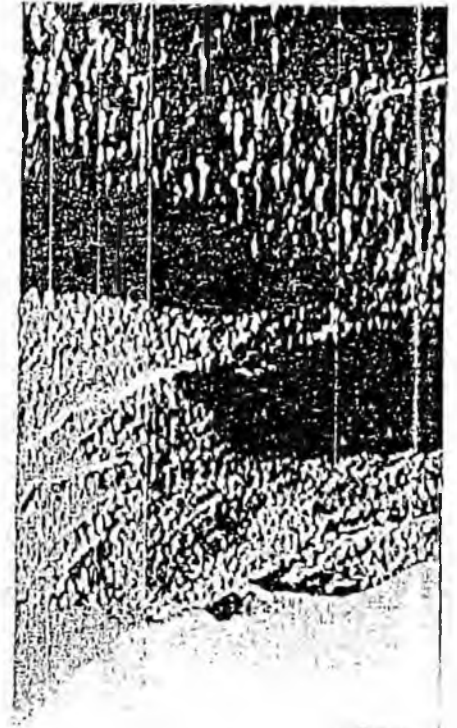
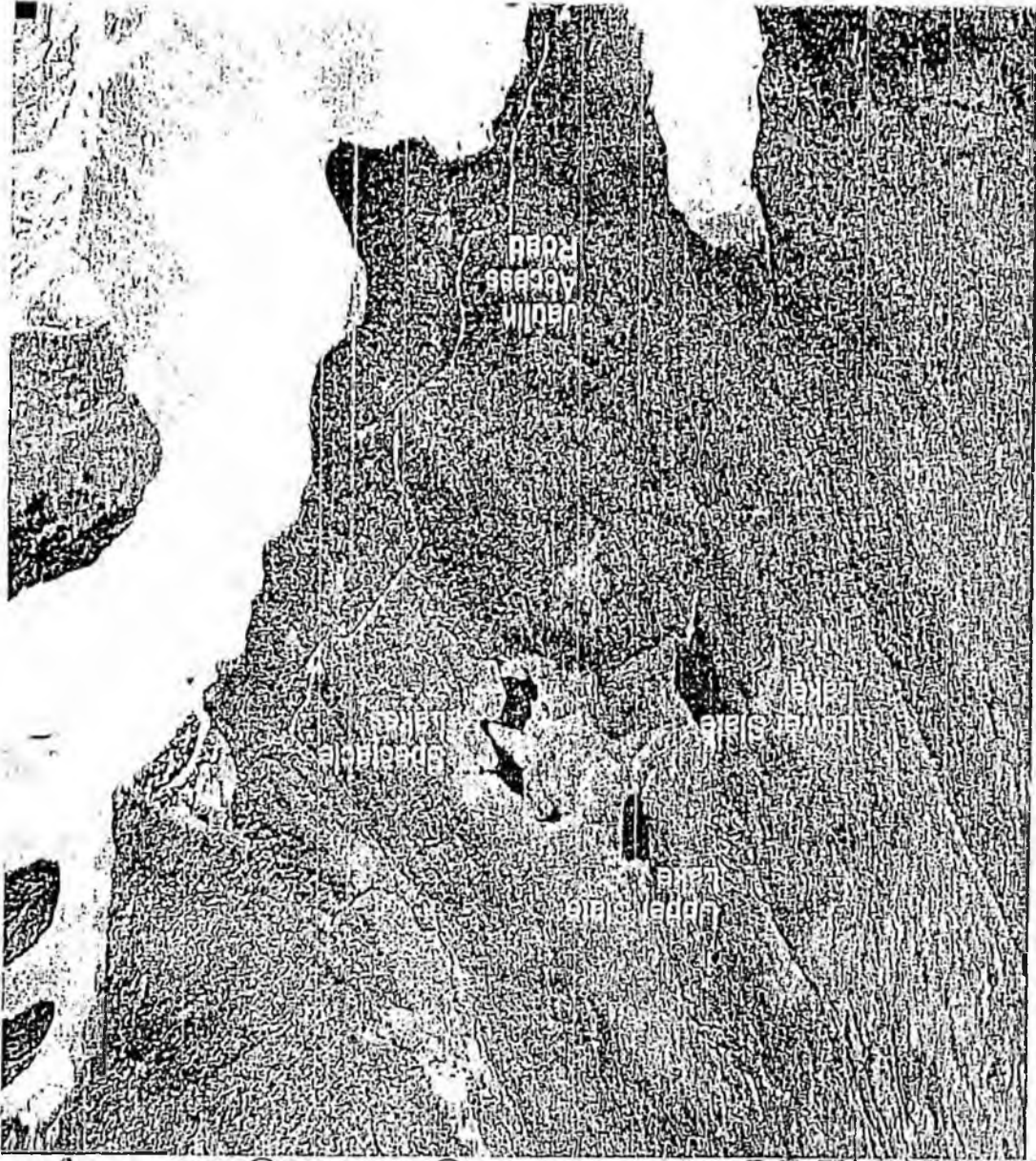




# KENSINGTON GOLD PROJECT

## Tailings Management Facility





Tailings Management System

GOLD PROJECT

# KENSINGTON





# KENSINGTON GOLD PROJECT

## Summary of Potential Partnership Opportunities

### For Additional Information, Please Contact:

**Jim Arnold**

Vice President of New Projects & Technical Services

(800) 624-2824

[jarnold@coeur.com](mailto:jarnold@coeur.com)

**Mitchell Krebs**

Vice President of Corporate Development

(773) 388-2902

[mkrebs@coeur.com](mailto:mkrebs@coeur.com)

**Tim Arnold**

Vice President & General Manager of Kensington

(907) 789-1591

[tarnold@coeur.com](mailto:tarnold@coeur.com)



SENATE FINANCE COMMITTEE

SIGN-IN

HB 556-AIDEA BONDS FOR LYNN CANAL PORT

NAME: Tim Arnold Subject/Bill No: CS For house bill 556  
Co./Dept./Title: Coeur Alaska V.P. & Gen. Manager Phone: 907 789 1591  
Address: 303 Clinton Dr. Juneau Zip: 99801  
Do you wish to testify?  Yes  No  Respond To Questions AFTER AIDEA

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

