

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5019 HRES SB 200 - SB 206

591

Original sponsors: Coghill, Fahrenkamp,
Bennett and Faiks

1 IN THE SENATE BY THE RESOURCES COMMITTEE
2 CS FOR SENATE BILL NO. 200 (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION
5 A BILL

6 For an Act entitled: "An Act amending the mining loan fund law."

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

8 * Section 1. AS 27.09.040(a) is amended to read:

9 (a) A loan granted under this chapter

10 (1) may not exceed \$5,000,000;

11 (2) may not exceed a term of 15 years except for an exten-
12 sion or modification under AS 27.09.048;

13 (3) may not bear interest exceeding 10 percent; and

14 (4) may not exceed 75 percent of the appraised value of the
15 collateral used to secure the loan.

16 * Sec. 2. AS 27.09 is amended by adding a new section to read:

17 Sec. 27.09.048. EXTENSION OR MODIFICATION OF LOAN. The depart-
18 ment may grant an extension on a loan or may modify the conditions of
19 a loan, excluding a reduction in the amount of interest charged under
20 the loan or a cancellation of interest due under the loan, when a
21 borrower is able to show that

22 (1) the borrower has experienced poor mining seasons; or

23 (2) regulations of the state or the federal government that
24 regulate the mining operation for which the loan was granted have been
25 changed by the state or the federal government and prevent the borrow-
26 er from fulfilling the terms of the loan.

AMENDMENT TO CSSB 200(Res)

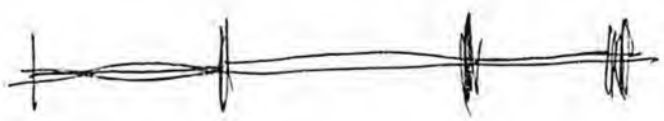
1988-1/22
1988 | 1200-22

Delete lines 17-26 and insert:

Sec. 27.09.048. EXTENSION OR MODIFICATION OF
 LOAN. The department may grant an extension on a loan
 or may modify the conditions of a loan when the
 borrower is able to show, to the commissioner's
 satisfaction, that the borrower has been prevented from
 mining by circumstances beyond the miner's control,
 such as a poor mining season or legal injunctions
 against the federal or state government. An extension
 or modification ^{may include a postponement of payments of interest} may not include any reduction in the
 amount ^{owed} or rate of interest ^{term of the} charged under the loan or a
 cancellation of interest due under the loan, although
 payment of the interest and principal of the loan may
 be extended or postponed beyond the original term of
 the loan. During the period of any ^{postponement} extension, interest ^{Nice!}
~~shall~~ ^{may} continue to accrue ~~or may be suspended~~, at the
 commissioner's discretion.

Nice!

The interest rate of a loan may be
lowered if the amount to be collected
during the term of the loan is not reduced.



Original sponsors: Kerttula and
Szymanski

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2 ; FOR SENATE BILL NO. 340 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to moratoriums on agricultural land
7 payments."

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

9 " Section 1. AS 38.05.065(h) is amended to read:

10 (h) The commissioner may declare a moratorium of up to six
11 [FIVE] years on payments on a sale of agricultural land under this
12 section if (1) the commissioner determines that the moratorium is in
13 the best interest of the state; (2) the commissioner certifies and the
14 contract purchaser agrees to perform farm development, crop produc-
15 tion, and harvesting, not including land clearing or related activity,
16 requiring the expenditure of amounts equivalent to the payments that
17 would otherwise be made during the moratorium; (3) the sale of the
18 agricultural land takes place after July 1, 1979; and (4) the contract
19 purchaser is in compliance with the development plan specified in the
20 purchase contract at the time the purchaser applies for a moratorium
21 under this subsection and remains in compliance with the development
22 plan during the moratorium. Interest payments are subject to the
23 moratorium but interest continues to accrue during the moratorium.

rewrite

3/4

Phub -

Answers -

(1) from AMA - resolution
para 2 & 3 let D out for both
set 1

1) legal opinion

2) insurance has not been entered

are the reasons for the delay

in the case at hand the set 1

does not want to make/leave to report
on good merits

(2) AMA see index of what might be
needed in the course

see 2 N.A.

to reflect N.A.

1/17 = to the way of the set
form - not for progress

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

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

Mary Van Nimwegen

H. RES. MARCH 4, 1988 8:30 AM

3-4-88

STATISTICS ON DCED LOAN PROGRAMS

February 28, 1987

	Veterans	Small Business	Commercial Fish	Tourism	Bulk Fuel	Child Care	Hist Dist	Mining	Alternative Energy	Resid. Energy	Fish Enhance	Power Dev.	Water Resource	Total
COMMITMENTS														
Total No. Loans														
Committed FY 72-87	7,718	1,338	3,156 ¹	59	233	62	12	71	2,944	2,232	134	5	5	17,969
Total Dollar Amount														
Committed FY 72-87	371,795.2	202,529.3	183,661.3	29,874.0	8,438.7	2,175.6	1,345.4	28,426.4	19,299.6	8,346.5	52,619.8	193,847.0	2,500.0	1,104,859.5
Total No. Loans														
Committed FY 87	0	0	106 ¹	0	16	3	1	0	10	2	10	1	0	149
Total Dollar Amount														
Committed FY 87	0	0	6,280.8	0	432.9	150.0	250.0	0	88.8	8.6	1,846.3	1,000.0	0	10,057.4
APPROPRIATIONS														
FY 84	0	0	9,091.0	0	0	869.5	500.0	0	2,400.0	3,123.4	6,500.0	N/A	0	22,483.9
FY 85	0	0	3,500.0	0	0	0	0	0	1,000.0	0	5,000.0	210,000.0	0	219,500.0
FY 86	0	0	3,710.0	0	0	0	0	0	845.0	0	812.0	0	0	5,367.0
FY 87					64.0		400.0							464.0
LOANS OUTSTANDING														
Owned by Fund														
Number of Loans														
Outstanding	27	20	1,445	3	49	36	5	46	1,559	1,218	114	1	1	4,524
Principal Amount														
Outstanding	1,595.6	3,074.9	62,423.7	1,071.9	809.3	1,348.9	735.2	12,286.4	10,671.0	3,147.9	45,359.5	186,104.1	867.6	329,496.0
Average Loan Amount														
Outstanding	59.1	153.7	43.2	357.3	16.5	37.5	147.0	237.1	6.8	2.7	397.9	186,104.1	867.6	72.8
Serviced for AIDA														
Number of Loans														
Outstanding	1,575	200	320	7	N/A	1	3	N/A	N/A	N/A	11	N/A	N/A	2,117
Principal Amount														
Outstanding	68,372.6	17,227.5	11,302.3	914.2		6.6	96.4				6,023.2			103,942.8
Average Loan Amount														
Outstanding	43.4	86.1	35.3	130.6		6.6	32.1				547.6			49.1
Summary														
Total No. of Loans														
Outstanding	1,602	220	1,765	10	49	37	8	46	1,559	1,218	125	1	1	6,641
Total Principal														
Amount Outstanding	69,968.2	20,302.4	73,726.0	1,986.1	809.3	1,355.5	831.6	12,286.4	10,671.0	3,147.9	51,382.7	186,104.1	867.6	433,438.8
DELINQUENCY RATES AND DEFAULT STATISTICS														
Statistics Based on Balances Outstanding														
% Delinquent ¹	6.5%	9.3%	14.0%	6.5%	25.7%	10.3%	0	38.3%	5.2%	8.1%	5.7%	0	0	5.9%
% In Default ²	1.5%	24.2%	4.6%	4.3%	1.6%	12.7%	0	31.6%	3.6%	3.6%	3.0%	0	0	3.6%
Statistics Based on Number of Loans														
% Delinquent ¹	5.6%	10.9%	11.3%	22.2%	26.5%	8.1%	0	39.1%	4.5%	7.0%	6.4%	0	0	7.8%
% In Default ²	1.4%	18.2%	2.9%	11.1%	4.0%	10.8%	0	28.2%	4.1%	2.4%	1.6%	0	0	3.5%

¹ Delinquent is defined as 60 days or more past due, not in litigation.

² Default is defined as in litigation.

³ Prequalifications NOT included

Prepared by: Division of Accounting and Collections

3/17/87

Attachment #1

Representative Cotten

- 2 -

March 3, 1988

The department recommends that "owner" be better defined. Currently "owner" can be legally undetermined heirs, devisees, assignees and adverse possessors.

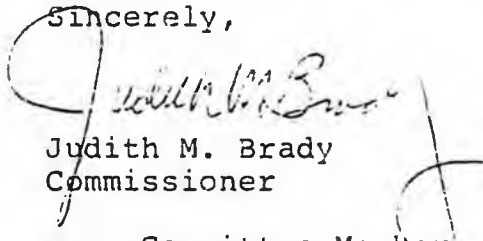
Page 1, lines 10-13 Add "Abandoned" before "Unclaimed Estate"

Page 2, line 13 delete "shall sell"; add "shall offer for sale"

Page 4, lines 5, 6 - Make the bill apply to all escheated real property not sold, including property escheated under predecessor statutes.

We will be pleased to continue working with committee staff as this bill progresses.

Sincerely,



Judith M. Brady
Commissioner

cc: Committee Members
Bill Sponsors
Rod Swope
Bob Evans

Attachment # 2.

3/4/88

ALASKA MINERS ASSOCIATION, INC.
RESOLUTION

WHEREAS; the Alaska Mining Loan Program was passed by the legislature to provide support for Alaska's mining industry and Alaska's mineral development, and,

WHEREAS; a conduction of the loan program required that these mines have at least a minimum of five years experience, proven future reserves, and showing a past profitability, and,

WHEREAS; the BLM's new requirement for retroactive reclaiming back to 1981 has therefore affected recipients of this loan program far more than newer mines, because of the need to show a five year history of mining, and'

WHEREAS; these mines had to spend vast amounts of time and money to meet this new requirement which has cut deeply into mining profits.

WHEREAS; uncertain and constant changes in water quality laws have also vastly increased the costs to these and other mines where the mandate is that new and costly equipment and technology be used to meet these uncertain changes, (ie, no National or State promulgated standard as yet), and,

WHEREAS; ongoing law suits between environmental groups and federal agencies have resulted in injunctions against the mining industry without the industry being allowed by the courts to be a party to these suits, and,

WHEREAS; the lawsuits have caused either temporary shutdowns, complete relocation moves or reduction in size of these operations, which will reduce the productivity of these mines,

THEREFORE BE IT RESOLVED, that the ALASKA MINERS ASSOCIATION supports SB 200 and is encouraging the Legislature to pass this bill.

With an ammendment which asks the Department of Commerce and Economic Development to evaluate each loan and if the default or deliquent^{cy}s due to one of the injunctions such as effect the miners in the National Parks or on BLM lands or other circumstances beyond the control of the mine^r, grant a moritorium ~~FOR THAT~~
SPECIFIC LOAN.

APPROVED 2/85
RECEIVED 2/85

Alaska State Legislature

REPRESENTATIVE
MARK BOYER

HOUSE FINANCE COMMITTEE



House of Representatives

FAIRBANKS

1098 LAKEVIEW TERRACE
FAIRBANKS, ALASKA 99701
(907) 456-6473

JUNEAU

P.O. BOX V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3466

MEMORANDUM

TO: Representative Max Gruenberg, Co-Chair
Joint Committee on Economic Recovery

FROM: Rep. Mark Boyer *MB*

SUBJECT: CSSB 200 (Resources), An Act amending the mining loan
fund law.

DATE: January 19, 1987

One of the keys to economic recovery is a revitalization of the basic Alaskan resource industries which sustained our economy and spurred growth and development in our state long before the discovery of oil - mining, timber and fishing. Mining has always been a major force in the economy of the Interior, and the rehabilitation of the mining industry will generate employment and business activity essential to economic recovery in our area. One bill which may help to revitalize the mining industry is currently before the House Resources Committee, and I would urge you and your committee to consider supporting it as part of your recommendations for economic recovery.

SB 200 would allow the Department of Commerce and Economic Development to modify or extend mining loans when a borrower has experienced poor mining seasons or is unable to fulfill the terms of a loan because of difficulty in complying with changes in state or federal regulation. The recent increase in the price of gold could spark a resurgence in the mining industry at a time when it is most needed, but the cost of complying with state and federal environmental quality regulations drains the cash flow of many operations to a point where they are shut down. A simple extension on principal payments would allow miners to spend money on maintenance of their machinery (which is, after all, the state's collateral) and on the water clean-up processes necessary to stay in business.

We need to keep the miners working so they can eventually repay their loans. The last thing we need is for the state to assume possession of millions of dollars of equipment for which

there is little or no market. What will we do with it, park it in the driveways of the houses which AHFC is foreclosing on every day? SB 200 is not a "bail-out" or a handout. It closely resembles the "work-out" plans which are being devised to keep Alaskans in their homes. But it is hard to work out a mortgage payment without a job, and SB 200 has the potential to put people back to work in mining and its support industries. I urge you to include it on the economic recovery agenda of your committee.

cc: All members, Joint Committee on Economic Recovery
House Resource Committee Members
Rep. Sam Cotten and Rep. Adelheid Hermann, co-chairs
House Resources Committee

sb200.ejf

MEMO

Martin Farquhar - DOR

TO: Ned Farquhar / House Resources Committee
FROM: June Weinstock / AEL
DATE: 29 February 88
RE: CSSB 200 (Resources) -- Mining Loan Moratorium**

**The original SB 200 introduced by Coghill et. al. was, indeed, a loan moratorium, in that "payment of the principal & interest...is suspended for two years" and that "during the period of the moratorium, the loan does not continue to earn interest."

would cont to earn interest in AEL pop'

But the retitled CS amends the mining loan fund law by allowing for an "extension or modification" beyond the 15-year term. The modification may not include "amount" of interest charged or cancellation of interest due. It is not clear to me, however, whether or not the CS is still intended to allow a payments moratorium, since an extension implies continued (albeit reduced) payments over the extended term.

Does the House Resources Committee wish to grant a payments moratorium analogous to that granted by SB 340 (Ag Land Payments Moratorium)? If so, then analogous language could be used. Something like--

AS 27.09 is amended by adding a new section to read...

Sec. 27.09.048. The commissioner may declare a moratorium of up to six years on payments on a loan if (1) the commissioner determines that the moratorium is in the best interest of the state; (2) the borrower agrees to perform work on the claim requiring the expenditure of amounts, or their equivalent in labor, equivalent to the payments that would otherwise be made during the moratorium; and (3) the borrower is in compliance with the operating plan specified in the loan agreement at the time the borrower applies for a moratorium under this subsection.

7 [Interest payments are subject to the moratorium but interest continues to accrue during the moratorium.

Senator Coghill indicates that changes in state or federal regulations are a cause of payment problems. To the extent that regulations have changed, the miners will have to change their operating plan to comply and the language of SB 340 lines 21-22--"and remains in compliance with the [operating] plan during the moratorium"--will not apply.

The Senate Resource CS seems to me possibly unclear in several respects (in addition to being an extension rather than moratorium):

1. Line 11 "...except for an extension..." No time limit on the extension is set.
2. Line 12 "modification". Are there other "modifications" to the term of a loan besides extension? If not, "modification" seems vague & superfluous. (A modification of the term of a loan, as implied in line 11, seems different than a modification of its terms, which I suppose could include payment schedule, tender, or whatnot.)
3. Line 19 "...excluding a reduction in the amount of interest due..." Although a loan extension would have the effect of increasing the total amount of interest collected over the life of the loan and I don't see how the amount could be decreased other than by a rate reduction, substituting interest rate of the loan for AMOUNT OF INTEREST nevertheless seems more precise.
4. Line 22 "...poor mining seasons..." is vague. SB 340 essentially allows the commissioner to declare an ag land payment moratorium at his or her discretion but sets a six-year limit on its length.

Bruce Geraghty's April 27, 1987 memo to Senate Resource Committee members on this bill states that, because an operating plan must be submitted to DCED as part of a loan application, the department can thereby determine whether the "poor mining season" was attributable to acts of God or to circumstances within the borrower's control. SB 200 does not, however, require the miner be in compliance with his/her operating plan at the time of application for payment extension; it makes no clear connection at all between "poor mining seasons" and the miner's operating plan.

I think the approach of SB 340 is preferable: To require compliance with the plan of operation at the time of application and to allow the DCED commissioner discretion in granting the extension/moratorium for a period not to exceed _____ years.

SB 200

Over the two-year moratorium period the Mining Loan Fund would waive an estimated \$2.45 million in interest. Collateral for the Mining Loan Fund includes, but is not limited to, buildings, equipment, machinery, claims, leasehold on claims and real estate. In addition to the \$2.45 million waived in interest accrued, the Mining Loan Fund will experience a reduction in the value of the equipment securing the portfolio through depreciation. Seriously delinquent borrowers who are not operating their claims may not have cash flow to maintain/caretake/winterize their equipment causing early/advanced deterioration. Also, in spite of the remote locations of the mining claims, there is the risk of the equipment being vandalized, stripped or disappearing. After the two-year moratorium period, the mining portfolio may be undercollateralized.

Assumptions:

1. There are currently 13 loans, \$3.9 million, in litigation. These files have been referred to the Department of Law for legal action. All legal activity would continue upon enactment of the moratorium.
2. The moratorium would be enacted only on the state's portion of participating loans. The portfolio includes two bank participation loans with an outstanding balance of \$916.4.

Recommendation: The division has mining loan extension packets available. All extension requests are evaluated on a case-by-case basis. Lenient procedures are in place for loan payment extension requests resulting from the injunction or court ordered shutdown of placer mines under BLM lawsuit (Sierra Club vs. Michael Penfold, Director Alaska State Office of Bureau of Land Management).

HOUSE COMMITTEE REPORT

5/18/87

Judiciary
Finance

Date referred:

FURTHER REFERRALS:

DATE: 4-19-88
CSSB 200 (Res)

The Resources Committee has considered
"An Act amending the mining loan fund law."

RECOMMENDS:

- replace with HCS CS SB 200 (Res) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Jan Gt
Spur Hoff
Cliff Davidson
Dick Stuebe
Harold Springs
Adelheid Herrman

SIGNING OTHER RECOMMENDATIONS:

Mike Hoover - no rec
[Signature] no rec
[Signature] - no rec

Jan Gt

Chairman's signature

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CBSE 200 (RES)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST

Revision Date: January 22, 1988
Title: An Act amending the mining
loan fund law
Sponsor: Coghill, Fahrenkamp, Bennett
~~Requester~~ and Faiks

Agency Affected: Commerce & Econ. Dev.
BRU: Investments
Components: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Martin J. Richard, Director *[Signature]* Phone: 465-2510
Division: Investments Date: January 22, 1988

Approved by Commissioner: J. Anthony Smith *[Signature]* Date: 1-26-88
Agency: Department of Commerce and Economic Development

Distribution (by preparer):

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

0686D-3/12288a

Original sponsors: Coghill, Fahrenkamp,
Bennett and Faiks

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19 loan when the borrower is able to show to the satisfaction of the
20 commissioner that the borrower's opportunity to mine has been adverse-
21 ly affected by circumstances beyond the control of the borrower, such
22 as a poor mining season or legal injunctions against the federal or
23 state government. An extension or modification of the terms of the
24 loan under this section, including a postponement of payments of
25 interest and repayments of principal due under the loan, may not
26 include a reduction in the amount of the interest owed or a cancel-
27 lation of the amount of the interest due under the loan, although the
28 payment of interest and principal under the loan may be extended or
29 postponed beyond the original term of the loan. During the period of
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an extension, interest continues to accrue.

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Telegram

1988 MAR -3 PM 8 13

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FOR 50 10110

UNION RESPECTS COMMITTEE

J. J. J.

J. J. J.

STAFF 8 10110

PLEASE HOLD IN MIND THE 1988 ALASIA 8703-13 3070 7

THIS WILL BE A MOST IMPORTANT TIME FOR THE

FIGHTING THE MOST PUNISHING TOXIC WASTE IN THE STATE

ENVIRONMENTALISTS. THANK YOU FOR YOUR SUPPORT AND

VERY TRULY

VALLEY CONTRACTOR

STAFF 8 10110



Telegram

1988 MAR -3 11:08 12

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Telegram

1968 MAR -3 10 6 11

07001 AL TOB WORTH FILE AC 80 03-01 459 20T

FMS

REP'S COMMITTEE

HOUSE RESOURCES COMMITTEE

JOURNAL OF THE HOUSE

SENATE BILL 205

URGENT YOU ADVANCE BILL AS WERE REF AND OF THE MITHO F C

WITH MY LEGISLATION TO PASS AND THE HOUSE DEPT WITH A WPE

MINES . THEIR BENCH TO AND THEIR OWN ECONOMIC STANDARDS

STANDARDS REALITY ON THEM.

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WORTH FILE AT



Telegram

1968 MAR -3 11 8: 14

ALASKA TELEPHONE COMPANY

TO

ANCHORAGE

FROM

SEASIDE

PLEASE ADVISE THE COMPANY TO IMMEDIATELY REPAIR THE SEASIDE CABLE ZONE
I HAVE THE ALL OF THE CABLES IN THE SEASIDE ZONE AND THE
UP TO THE POINT OF THE CABLES.

LE-Y-1-1-1-1

P.O. BOX 61234

FAI (AKC) (AKC) (AKC)



Telegram

1950 MAR -3 PM 6:14

TO: SAC, NEW YORK (100-100000) FROM: SAC, PHOENIX (100-100000) (P)

RE: [Illegible]

[Illegible]

[Illegible]

[Illegible]

RE: [Illegible] TELEGRAM TO PHOENIX BY [Illegible] INTEROFFICE

PHOENIX WILL BE KEPT ADVISED OF ANY DEVELOPMENTS IN THIS MATTER

PLEASE REPLY TO PHOENIX BY AIR MAIL OR TELETYPE.

COPIES TO: [Illegible]

[Illegible]

[Illegible]

G. F. Kalmbach

P.O. Box 872148

Wasilla, Alaska 99687

(907) 376-5322

March 2, 1988

Representative Sam Cotton
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, AK 99811
Attn: Ned Farquhar

RE: Our phone conversation this morning

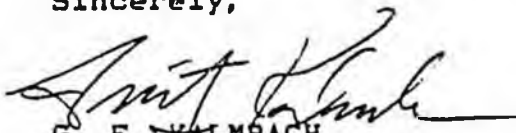
Dear Mr. Farquhar:

One thing needs to be clarified concerning our conversation this morning.

I have applied for an extension on my mining loan with the Division of Investments. I started last fall and am corresponding with them having furnished them considerable documentation to date.

It may be that they are awaiting the outcome of this legislation before replying.

Sincerely,


G. F. KALMBACH

RS. Thanks for distributing this for me

FERN DEVELOPMENT COMPANY, INC.

BOX 87214R
WASILLA, ALASKA 99687
(907) 376-5322

March 1, 1988

Representative Sam Cotton
Representative Adelheid Herrmann
Co Chairpersons House Resources Committee
Alaska State Legislature
P. O. Box V (MS 3100)

RE: Senate Bill 200 - Moratorium on Mining Loans

Dear Representatives Cotton and Herrmann:

The above bill proposes a two year moratorium on State of Alaska Mining Loans.

I am a participant in this loan program and like many of the others am not asking for debt forgiveness but rather time to adjust to the many external problems Alaskas recession has caused coupled with some problems not the result of the recession.

I presently have a \$300,000 loan obtained thru the state mine loan program.

1. These monies were loaned to accomplish advanced development on the Fern Gold Mine, an underground lode mine located in the Willow Creek Mining District (Hatcher Pass).

2. From the onset it was known that subsequent financing was going to be required to put the Fern into production. This source of financing was to come from limited production, additional state financing and outside income provided by the writers other business interests. The following has occurred.

A. Not until the summer of 1987 did the State of Alaska Department of Environmental Conservation finally

come up with draft regulations for the on site processing of ore which will require tens of thousands of dollars of documentation and planning requiring at least 18 to 24 months lead time in spite of the fact that an ore processing and cyanide leaching facility has existed at the Fern Mine since the early 1920's until 1952 with no known environmental damage. A real conflict arises from the anti-development /-pro-development attitudes of different state agencies.

B. The present administration with little advance notice terminated the mine loan program, preventing access to any additional financing. The alternate types of financing will be discussed below.

C. Pre state mine loan development funds came from the writers business located in Anchorage which involved the sale and extraction of sand and gravel combined with simultaneous redevelopment of the property. Despite the fact that no public utilities were planned for many years in the area and the property contained several million tons of material surplus to its redevelopment needs the owner was prohibited from redevelopment on his property by prohibitive zoning restrictions and refusal by the municipality to permit continued extraction while others similar businesses in the area were permitted to continue. These problems have been or are in the process of resolution and should permit the resumption of redevelopment soon.

D. The vicinity of the Fern Mine has been incorporated involuntarily into the Hatcher Pass Management Plan. The results have not been fully evaluated, however, the encroaching of the State on established mining areas so far has emphasis on preservation of the past with little interest in advancing present development.

E. The great Alaskan recession certainly has had its effect in that A doesn't pay B who in turn doesn't pay C and so on. The writer, like many others, is a victim of this process.

Prior to getting into solutions a brief work, history outline of the Fern Mine is noted here: (more detailed information is available in enclosed report)

The Fern Gold Mine was discovered around 1907 and was a producing mine from the 1920's thru WWII and for a short time thereafter. Almost all the emphasis during this time was on mining the high grade ore while ignoring the low grade potential which is extensive and untested. In 1952 the mill was burned accidentally and production ceased. The mine was in the ensuing years left to the ravages of nature and the vandals until 1979 when a privately financed attempt was started to rehabilitate and evaluate the property. The 1984 State of Alaska Mining loan was a continuation of this effort. The goal at this point was advanced development working towards a production decision.

This work at the Fern has consisted of extensive and continuing rehabilitation, equipping, advanced development work and a thorough economic and geologic evaluation, financed first, as noted, privately by the Fern Development Company and then by a State of Alaska \$500,000 loan bringing the writers overall investment in the Fern Mine to something in the vicinity of \$1,500,000. A part of this was the reconstruction of the Fern Mine Road representing a cost of an additional \$300,000 in state funds and \$200,000 in private funds. This to the benefit of the Hatcher Pass Management Area and its recreational facilities. It was anticipated at the time of the loan that concurrent with extensive rehabilitation, evaluation and development some limited mining could be commenced and some preliminary diamond drilling could be accomplished with the loan amounts. Production, however, was not possible because no on site processing is permitted prior to permitting by the DEC. A trial shipment of ore was made to the Cominco smelter in Trail, B. C. The values were excellent, however, the costs of a direct shipment prohibitive.

The most recent work has centered on detailed mapping, sampling and geological evaluation of the underground and surface geology on the Fern property with a goal of locating the most desirable economical targets for a diamond drilling program. This has been accomplished as has an evaluation of 60,000 tons of dump material containing values in excess of .10 gold, mined and dumped on the surface by the previous operators in their quest for the high grade. This ore is amenable to heap leaching and could be leached with marginal profitability now excepting for the permitting requirements of recent DEC regulations. The decision has been made to defer this project pending the commencement of production of the higher grade ores.

For economy reasons diamond drilling was deferred and other development undertaken in its place. At present the mine is fully equipped to support additional development work. Diamond drill targets have been delineated and a full scale diamond drilling program can be undertaken with little or no dead work or time loss.

Regarding the time frame and work accomplished with the loan, it was difficult to estimate because of the inability of access. A great deal has been accomplished with the money compared to other projects in the region and the outlook is bright. High grade and low grade reserves underground have been delineated, sampled and mapped on and above the main haulage level where accessible.

Diamond drilling is now needed to put these possible reserves into the category of probable and proven reserves, confirming both quantity and tenor. The Fern Vein is the main ore bearing structure in the mine, carrying consistent low grade values over a known strike length of some 1200' between two main faults with widths ranging from 21' to 3' probably with an average around 10/12'. The vein dips at about 50 degrees and has never been drilled or in any way evaluated below the existing main haulage level and in several areas above the main haulage level. There is no geologic reason why the values of this vein would not continue at depth. In addition to the low grade values in the Fern Vein other areas of the

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vein are crossed by intersecting veins and kidneys of extremely high grade ore has been mined in the past from these areas containing several ounces of gold per ton. This raises very exciting possibilities as to the extent and value of reserves at the Fern. The low grade areas are of considerable interest because of their consistency and the large volumes that can be developed from them.

When additional reserves are blocked out and a production decision made, the 60,000 ton low grade dump material will be blended with the higher grade ores.

FUTURE PLANS: The price range of Gold has risen considerably in the last year. It's in a range which makes the Fern Mine attractive.

Since the mine loan program no longer exists, a decision has been made to raise additional capital thru forming a public company registered on the Vancouver Stock Exchange. The process is expensive and time consuming, however, there is venture capital available and a definite interest exists in gold properties such as the Fern. I have started the process by retaining a consulting engineer from Vancouver, B. C. who examined the Fern last summer and has now completed a report on the property a copy of which is included with this letter. I have retained a legal firm in Vancouver with extensive experience in organizing and registering public companies. As you can surmise there can be tax consequences and for this I am working with the Anchorage and Seattle branches of Peat Marwick who are assisting me in the accounting and tax aspects of merging a US and Canadian company. Finally, I am working with a legitimate Vancouver firm interested in underwriting the proposed stock issue. The whole process will require a year and a half.

The first work objective for the publically subscribed funds will be a diamond drilling program sufficient to make a production decision. I wont go into detail on the mechanics after registry of the corporation and release of stock other than to say that there will be an additional six month time frame between a production decision and funds being available to retire the mine loan or bring it current. Present plans call for the drilling program to be

on line by late 1988. Production will be a little further off but once the reserves are proven ample financing will be available. DEC permitting will be a part of the production planning process.

Additional backup to these plans is the fact that I am continuing to pursue my real property development plans and anticipate a considerable increase in income from this source within two years.

The State of Alaska Mining loan was secured with land that I homesteaded in 1956 and still live on. I wouldn't have pledged this land if I didn't believe in this venture and I certainly don't want to lose this land and my home after all these years.

In closing, I would like to state that mining, like fishing and forestry may well be the long term salvation for Alaska as the black gold bonanza dissipates. Certainly they would add stability and damper the volatility that we've seen.

I have forwarded considerable additional information to the Division of Investments all of which is available for your review. I enclose for your referral the following:

Report by Montgomery & Associates of Vancouver, B. C. on the Fern Mine. (Alaska Fern Gold Ltd. is proposed Canadian company)

Sincerely,


G. F. KALMBACH

REPORT ON
THE FERN MINE
WILLOW CREEK MINING DISTRICT, ALASKA
on behalf of
ALASKA FERN GOLD LTD.
VANCOUVER, B.C.

by

J. H. Montgomery, Ph.D., P.Eng.

September 10, 1987

TAC
203-2786 W 16TH AVENUE

CONSULTANTS LIMITED
VANCOUVER B.C. V6K 4B1



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REPORT ON
THE FERN MINE
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September 10, 1987

A handwritten signature in cursive script, reading "J. H. Montgomery", is written over a circular professional seal. The seal contains the text "PROFESSIONAL ENGINEER" and "ALASKA" around its perimeter.

1.0 INTRODUCTION

Alaska Fern Gold Ltd. with registered office at 595 Howe Street, Vancouver and working office at Wasilla, Alaska has retained me to make an evaluation of the Fern Mine, a gold property located in the Willow Creek Mining District of Alaska. The property is situated about 20 miles (32.5 kilometers) north of Wasilla, Alaska.

This report is based on a visit to the property on July 6, 1987 and on a study of all available mine records, maps, reports and government publications. The surface and a portion of the underground workings were examined by the writer in the company of Mr. G. F. Kalmbach, a principal of the Company and Mr. Dean Yongue, a geologist employed by the Company.

Samples were taken from surface, underground and dumps. Recommendations are made for further exploration of the property.

2.0 SUMMARY AND CONCLUSIONS

Alaska Fern Gold Ltd. of Vancouver, British Columbia holds title under lease agreement with Fern Gold Mining Co. of Spokane, Washington the "Fern Group" of claims. The present claim group consists of 14 patented claims, 18 unpatented claims and 15 State of Alaska claims. The claims lie within Willow Creek Mining District of Alaska. A former producer of gold, the Fern Mine and Talkeetna Mine are covered by the claims.

The Fern Mine is located in South Central Alaska about 78 kilometers northeast of Anchorage, Alaska. The property is accessible by road from Wasilla, Alaska, a distance of about 35 kilometers.

In Willow Creek Mining District, gold was first discovered in 1906 and production from several properties began in the following years with peak production between 1931 and 1943. The Fern Mine was discovered in 1917 and production started in 1922. Between 1931 and 1941, more than \$1,000,000.00 in gold was recovered. The host rock for the gold-producing veins of Willow Creek area is the southern margin of Tulkeetna batholith which is mainly quartz diorite. The productive veins lie within an area of about 6.5 by 13 kilometers (4 by 8 miles). The Fern Mine veins strike S65W/50NW and are composed of quartz stringers and breccia with subparallel stringers and gouge form one to eighteen feet in width. Mineralization consists of gold with minor amounts of pyrite, arsenopyrite, tetrahedrite and galena. A surface vein exposure examined by the writer showed significant values in gold. Good values were also obtained from grab samples at Talkeetna mine. No. 3 dump assayed 0.058 oz./ton gold in a sample representative of the dump surface.

A program of exploration is recommended for the Fern Mine and adjacent areas. The proposed program consists of mapping sampling and diamond drilling. The program will take about three months to complete at an estimated cost of \$330,000.00 (US Funds).

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3.0 LOCATION AND ACCESS

The Fern Mine is located in south central Alaska in the Talkeetna Mountains in the central part of Alaska Range (see Figure 3-1). It is located about 29 kilometers (18 miles) north-northeast of Wasilla, Alaska and about 78 kilometers (48 miles) northeast of Anchorage, Alaska (see Figure 3-2).

The Fern Mine is accessible by road from Wasilla by driving northeasterly along Wasilla Fishhook Road for a distance of 16 kilometers (10 miles), then northerly along Little Susitna Road a distance of 11 kilometers (6.7 miles) and finally northerly along Fern Mine Road to the property, a distance of 7.3 kilometers (4.5 miles). Figure 6-2 shows the local roads near Fern Mine, the topography and neighboring mines.

The main adit and mill buildings are at an elevation of 3300 feet (1000 meters). The claims rise to 4500 feet (1372 meters) to the west for a topographic relief of 1200 feet (366 meters).

No timber or underbrush is present on the property. Ample water is available from a small branch of Fairangel Creek which runs through the property.

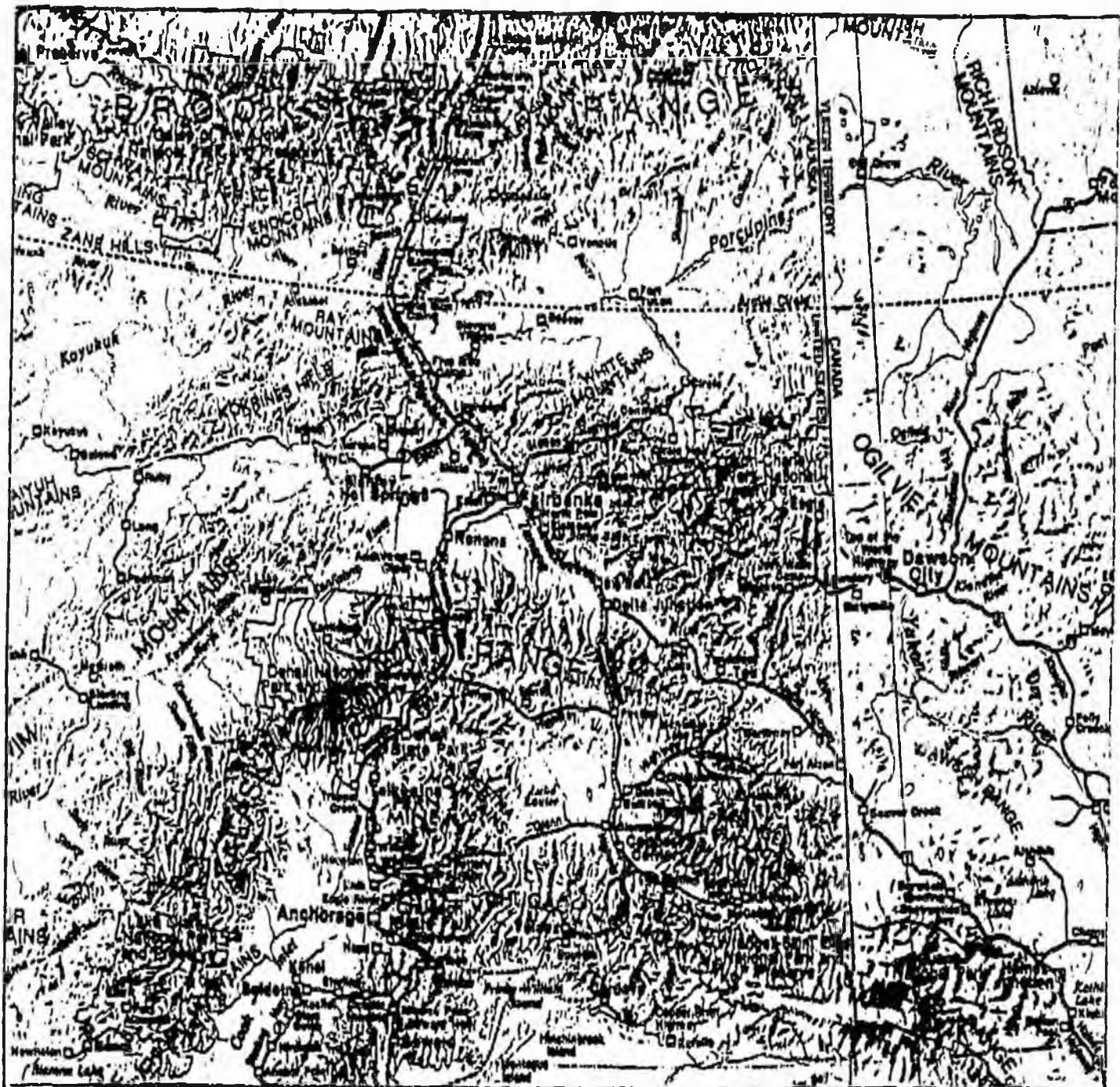


FIGURE 3-1

ALASKA FERN GOLD LTD.

FERN GOLD

PROJECT # 87FK1

LOCATION MAP - ALASKA

SCALE 1: 6336000



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SEPTEMBER 10, 1987



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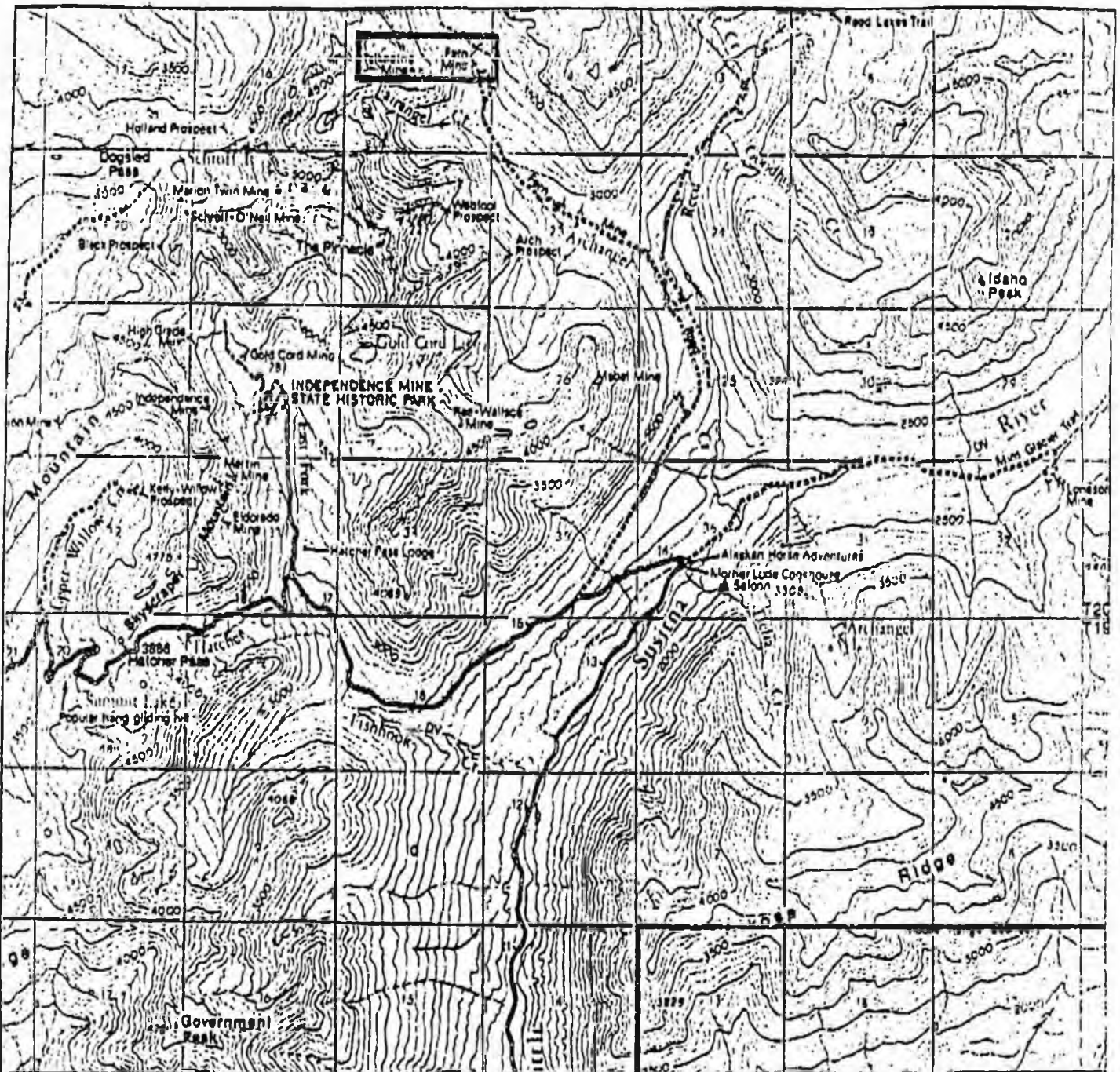


FIGURE 3-2

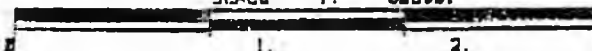
ALASKA FERN GOLD LTD.

FERN GOLD

PROJECT # 87FK1

LOCATION MAP - SUSITNA CR.

SCALE 1: 33308.



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4.0 CLAIM INFORMATION

The Fern Mine is located in the Willow Creek Mining District of Alaska. The claims lie within R.1.E; T.20N; Sections 11, 14, 15, 18, 21, 22: See Figure 4-1.

The present claim group consists of 14 patented claims (federal title), 18 unpatented claims (federal title), and 15 State of Alaska claims. Claim information is listed in the following table:

PATENTED CLAIMS	
CLAIM	SURVEY NO.
FERN MILL SITE	1505A
HILLIS NO. 1	1506
BLACK BUTTE	2042
HILLIS LODE	1470
HILLIS FRACTION	1536
RUTHLAND NO. 1	1505A
RUTHLAND NO. 2	1505A
HIGHGRADE	1505A
FAIRANGEL NO. 1	1501
FAIRANGEL NO. 2	1501
ARCHANGEL NO. 1	1501
ARCHANGEL NO. 2	1501
IRIQUOIS NO. 2	1501
IRIQUOIS NO. 3	1501

UNPATENTED CLAIMS	
CLAIM	
IRIQUOIS NO. 4	
LIBERTY NO. 2	
LIBERTY NO. 3	
LIBERTY NO. 7	
LIBERTY NO. 8	
MIDAS	
RUTHLAND EXTENSION	
COMBINATION	
PORTAL	
PTARMIGAN	
FERN	
BLACK BUTTE NO. 1	
HOMESTAKE LODE	

15

UNPATENTED CLAIMS

CLAIM

HOMESTAKE NO. 1
HILLIS NO. 2
HILLIS NO. 3
HILLIS NO. 4
EQUINOX

ALASKA STATE CLAIMS

CLAIM

FAD 1-15

The above claims are held by Alaska Fern Gold Ltd. under lease from Fern Gold Mining Co. which is based in Spokane, Washington.

The above claim information was obtained from principals of the company.

5.0 HISTORY AND PREVIOUS WORK

5.1 Regional Geology

In the Willow Creek Mining District of Alaska, gold was first discovered in 1906 on Upper Fishhook Creek. Production began in 1907 and the following years when several stamp mills were set up. The area at that time was quite remote. No roads or railroads were available and all supplies and equipment were shipped in by horse freight. Production since that time has been almost continuous but very sporadic in quantity with peak years being between 1931 and 1943.

Figure 6-1 shows the local geology as mapped by R.G. Ray and B.W. Wilson (1948-50) and also the locations of the various mines and prospects near the Fern Mine.

Producers of gold in Willow Creek Mining District include the Fern Mine (described in Section 6.2), Gold Cord Mine, Independence Mine, Mabel Mine, Lonesome Mine, Snowbird Mine, High Grade Mine, Marion Twin Mine and Thorpe Mine. Numerous other gold prospects are known. The most important producers were Independence Mine, Fern Mine, Gold Cord Mine and Mabel Mine. Total production to 1950 was about \$18,000,000.00.

5.2 Fern Mine

The property was originally located in 1917 as the Hillis Group of claims. Production began in 1922 by the Fern Gold Mining Co. and continued sporadically until 1952. Between 1931 and 1941, Mr. T.W. McDougal mined more than \$1,000,000.00 in gold.

In 1945, Mr. A.G. Dodson acquired the property and resumed development work. The mill, however, burned in 1946. The mill was rebuilt in 1948, but production figures are unavailable for that period. The mine was worked from 1948 until 1952 when the new mill burned.

In 1979, rehabilitation of the underground workings and development work started again. The latter work was done by Fern Development Co., Inc., an Alaska company which has a long term lease with Fern Gold Mining Co., the original owners since 1922.

In 1981, the last four miles of road were constructed to the mine.

In 1984 No. 4 level was re-opened. The work done by Alaska Hardrock for Fern Development Company, included surface work, installation of air and water systems, underground rehabilitation and underground surveying and sampling. No. 4 level, where necessary, and the raise to the Intermediate Level were retimbered. In 1988 59 tons, containing 2.2 oz./ton gold, were recovered from No. 4 level.

The present extent of underground workings at the Fern Mine is shown in Figure 5-1.

(19)

6.0 GEOLOGY

6.1 Regional Geology

The geology of the Willow Creek Mining District has been mapped by Richard G. Ray (1954). The relevant portion of his map is reproduced in Figure 6-1.

His map-area is underlain by schist of unknown age in contact with the southern margin of Talkeetna batholith and younger sediments.

The schist, believed to be the oldest of rocks in the area, lies to the south of the map shown in Figure 6-1. It is composed of mica (muscovite), quartz and albite porphyroblasts.

The Talkeetna batholith, in the Willow Creek area, is composed mainly of quartz diorite. The rock is medium-grained and exhibits a gneissoid flow structure. The rock is composed of plagioclase quartz, biotite and hornblende with accessory microcline, orthoclase, sphene, apatite, zircon and magnetite. In some places, the batholith has the composition of gabbro or granite.

Dykes are common throughout the Willow Creek area. Figure 6-1 shows the location of diabase dykes and lamprophyre dykes. Some aplite and pegmatite dykes are also present.

Some sedimentary rocks, possibly of Tertiary(?) age, are present on the south margin of the batholith beyond the area shown in Figure 6-1. These rocks are comprised of conglomerate, arkose, shales and sandstone.

The host rock for the producing veins of Willow Creek area is almost exclusively the quartz diorite Talkeetna batholith.

Ray (1945), after a study of the area, divided veins into two major structural types:

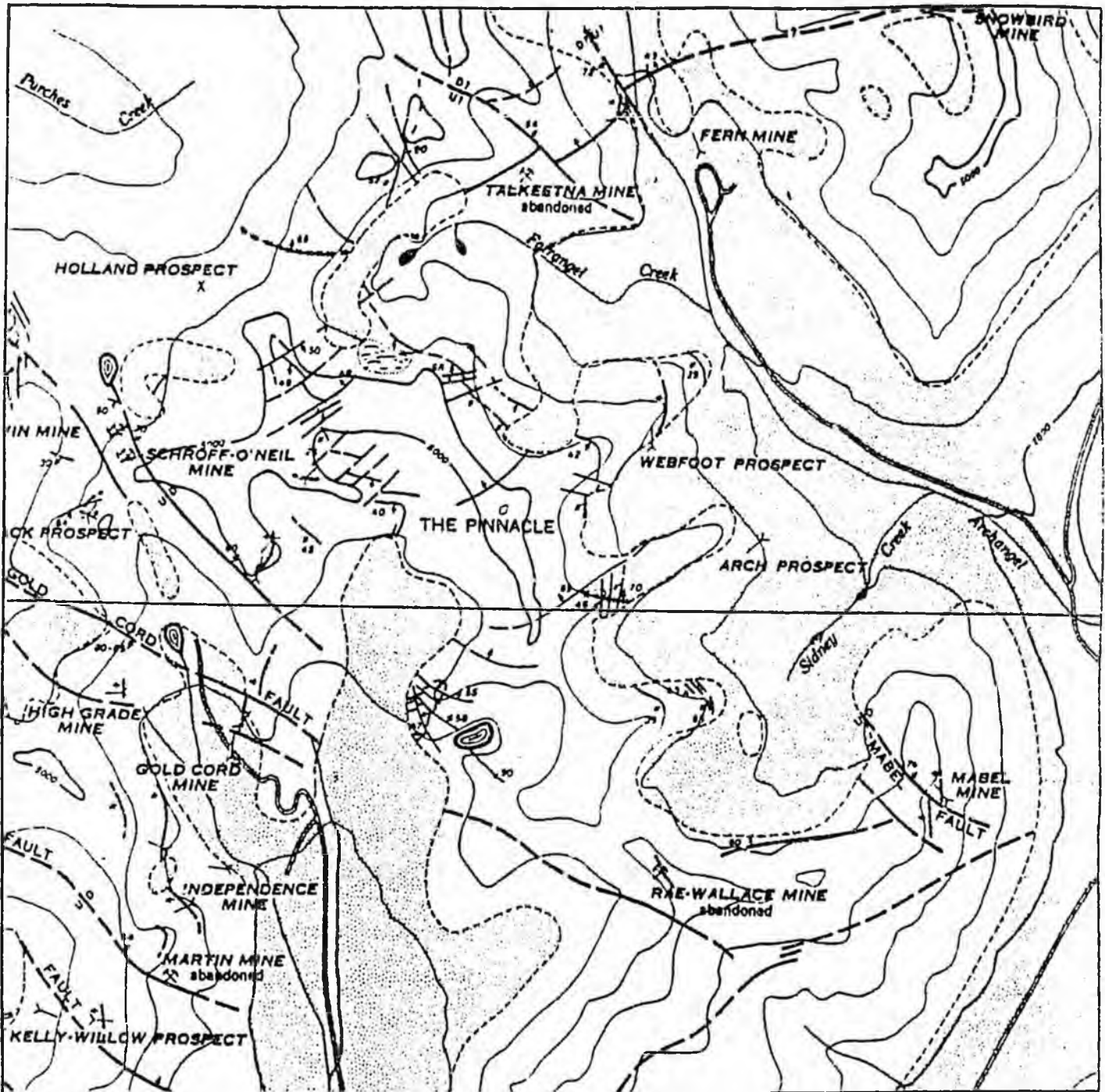


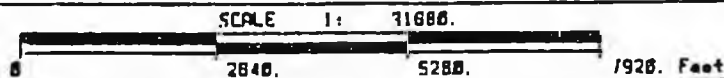
FIGURE 6-1

ALASKA FERN GOLD LTD.

FERN GOLD

PROJECT # 87FK1

REGIONAL GEOLOGY



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A. Joint Veins- these are older and parallel to southwest dipping joints.

He recognized three types of mineralogy-

- (i) chalcopyrite-pyrite-arsenopyrite-molybdenite-quartz.
- (ii) pyrite-stibnite-quartz
- (iii) pyrite-sphalerite-coarse gold-coarse quartz.

B. Shear Veins- these are younger than the joint veins. They occur in shear zones in quartz diorite and are the gold-productive veins in the district. They have been divided into two types-

- (i) Veins striking 060 to 080 degrees and dipping 30-60 degrees north.
- (ii) Veins striking northerly and dipping 5-45 degrees west.

The joint veins have, to date, been nonproductive in gold but Ray (1954) believes that gold-bearing type A (iii) veins may be in close proximity to productive B-type veins.

The productive veins occur in shear zones within an 8 by 4 mile zone along the southern border of the Talkeetna batholith.

Ray (1954) has described these veins as follows:

Mineralogy

Gangue-mainly quartz with minor carbonate.

Minerals- minor amounts of pyrite, arsenopyrite, sphalerite, chalcopyrite, tetrahedrite, nagyagite (a lead-gold, tellurium-antimony sulfide), altaite (lead telluride), coloradoite? (mercury telluride), galena, stibnite?, gold and rarely scheelite.

Much of the shear zone is also made up of quartz diorite breccia and gouge. The northeastward-trending shear zones reach widths of 25 feet within the camp. The north-trending shears occur up to 6 feet wide. The quartz in both types of veins is commonly sheared or brecciated.

Ray (1954) also describes wallrock alteration recognized in Willow Creek Mining District.

Wallrock alteration is intense but extends only 10 or 12 inches into the wallrock. The quartz diorite has been bleached by hydrothermal alteration to a white or chalky green color due to the destruction of hornblende, biotite, plagioclase and magnetite and the formation of sericite, carbonate, sulfides, chlorite and quartz.

6.2 Local Geology

The following account of the geology of the Fern Mine was taken mainly from Ray (1954), Garrett (1972) and various other bulletins, reports, maps and correspondence.

The vein system includes the Fern vein and associated veins and the Talkeetna vein.

The Fern vein strikes S65W/50NW and is faulted on the east by a normal fault which strikes N50W and dips southeast. On No. 4 level, this fault is visible about 2000 feet from the portal. The Fern vein is also cut on the west by Talkeetna fault which strikes NW and dips about 54° to the northeast. This fault is reported visible on the western end of No. 3 level and about 120 feet west of this point on No. 4 level.

The main vein is quartz stringers and breccia with subparallel stringers and gouge from one foot up to 18 feet wide. Gold is associated with quartz veining and rich shoots occur at some vein intersections. Associated minerals are sparse and include pyrite, arsenopyrite, tetrahedrite and galena. Later veinlets of calcite and ankerite cut the quartz veins.

At the Talkeetna Mine, five short adits were driven on four quartz veins and a dyke. The quartz veins are 3 to 30 inches wide and carry coarse visible gold.

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A gold bearing quartz vein and shear zone about 12 feet wide was observed on surfaces between the upper Fern workings and the Talkeetna adit. It is not known whether this is part of the faulted Fern vein or another vein system. Assays are shown as Surface Vein in the table below.

The following samples were taken by the writer:

NO.	LOCATION	Au(oz./ton)	Ag(oz./ton)
F1	Fern Vein (Chute-Level 4)	0.627	0.01
F2	Surface Vein-quartz	1.190	0.01
F3	Dump No. 3	0.058	0.01
F4	Surface Vein-shear	0.277	0.01
F5	Surface Vein-quartz	0.753	0.01

7.0 RECOMMENDATIONS

The Fern (and Talkeetna) Mine have produced from high grade gold ore in the past mostly under the difficult conditions resulting from remoteness and poor accessibility.

There are several areas of the Fern vein which have not been explored adequately. Most notably, these are between Level 1 and surface, between Level 3 and Level 4, below Level 4 and west of Level 4. Surface showings also indicate good gold mineralization between the Fern and Talkeetna workings. The Talkeetna veins, some of which carry very high values in gold have not been properly explored.

In view of the above, a program of exploration is recommended to determine the tonnage and grade of potential reserves. The program proposed consists of mapping and sampling all surface and accessible underground workings and diamond-drilling of those areas indicated by this work to be most favorable. Some trenching may also be required to open up some gold-bearing surface outcrops and to provide access for a drill.

An estimate of costs is presented in the following Section 8.0 and details of the proposed program are outlined below.

1. **Base Map**- a good base map should be prepared to tie in surface and underground geology, workings, etc. Such a map could be prepared from existing aerial photography. A scale of 1:500 is suggested with a contour interval of about 20 feet.

2. **Geological Mapping**

Surface mapping should be done and related to underground mapping. Since much of the old workings is inaccessible, older available maps may be used for locations of mine workings. Some bulldozer trenching may be useful to expose better some of the surface showings.

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3. Sampling

Systematic sampling of all accessible vein exposures should be undertaken. Regularly spaced samples with recorded widths and exact locations will be required to make reserve estimates.

4. Diamond-drilling

A program of diamond-drilling consisting of about 5000 feet is recommended to test for mineralized structure related to both the Fern and Talkeetna veins and any others detected by the preliminary work.

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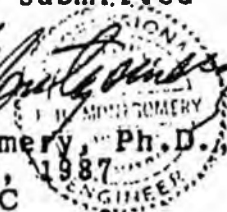
8.0 COST ESTIMATE

PHASE ONE

1. PERSONNEL		
(a) Geologist - 3 mo. @ \$250/day		22,500.00
(b) Assistant - 3 mo. @ \$150/day		13,500.00
2. TRANSPORTATION		
(a) Truck Rental - 3 mo.		3,000.00
(b) Truck Maintenance & Fuel		1,500.00
(c) Air Fares		2,000.00
3. ACCOMMODATION		
(a) Camp Equipment		500.00
(b) Meals -180 man-days @ \$25/day		4,500.00
4. BASE MAP		2,000.00
5. DIAMOND-DRILLING		
(a) BQ Core - 5000 meters @ \$40		200,000.00
(b) Analyses - 1000 @ 10		10,000.00
6. MISCELLANEOUS		
(a) Surface Assays - 500 @ 10		5,000.00
(b) Bulldozer Trenching - 50 hrs. @ 90		4,500.00
(c) Shipping		1,200.00
(d) Drafting		1,000.00
(e) Computer Processing		1,500.00
	Sub-total	\$272,700.00
7. ENGINEERING & SUPERVISION-10%		27,270.00
	Sub-total	\$299,970.00
6. CONTINGENCIES - approx. 10%		30,030.00
	TOTAL	\$330,000.00 (US FUNDS)

Respectfully submitted

J. H. Montgomery
 J. H. Montgomery, Ph.D., P.Eng.
 September 10, 1987
 Vancouver, BC



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9.0 BIBLIOGRAPHY

Ray, R.G. (1954)- "Geology and Ore Deposits of the Willow Creek Mining District, Alaska": U.S.G.S. Bull. 1004.

Yongue, D. (1984)- "Fern Mine Project-Summer, 1984" - in house report for Fern Development Co.

(1933)- "The Willow Creek Gold Lode District, Alaska", U.S.G.S. Bull. 849-C.

(1915)- "The Willow Creek District, Alaska": U.S.G.S. Bull. 607.


Garrett, S.K. (1972)- "Summary of Study Pertaining to Fern Gold Mining Company Property, Willow Creek Mining District-Alaska": Consultant's unpub. report.



Various maps, assay sheets, smelter reports and correspondence relating to the Fern Mine.

10.0 CERTIFICATE

I, J.H. Montgomery, of Vancouver, British Columbia hereby certify that:

1. I am a consulting geological engineer and reside at 4153 West 11th Avenue, Vancouver, B.C.
2. I am a graduate of the University of British Columbia; B.Sc. in 1959, M.Sc. in 1960, Ph.D. in 1967.
3. I have practiced my profession since 1959.
4. I am a member of the Association of Professional Engineers of the Province of British Columbia and of Yukon Territory.
5. I have no interest, direct or indirect, in Alaska Fern Gold Ltd., nor do I expect to receive any.
6. I have based this report on a personal visit on July 6, 1987 and on a study of all available data pertaining to the property including previous reports and government publications.
7. This report may be used by Alaska Fern Gold Ltd. or their agents for a Prospectus, Statement of Material Facts, Shareholders' Newsletter, etc., in whole or in part.


J.H. Montgomery, Ph.D., P.Eng.
4153 West 11th Avenue
Vancouver, BC
September 10, 1987



Alaska State Legislature

Senate Resources Committee

Sen. John B. Jacki, Chairman
Sen. Paul Fischer, Vice-Chairman
Sen. Lloyd Jones
Sen. Alvin Stumpkowski
Sen. Jim Duncan
Sen. Fred Zlatoff
Sen. Dick Eliason



Box V
Juneau, Alaska 99811
(907) 465-1907

MEMORANDUM

TO: Senate Resource Committee Members
FROM: Senate Resource Committee Staff *ERG*
RE: CSSB 200; An Act Amending the mining loan fund law.
DATE: April 27, 1987

Several concerns were raised by the committee during the initial hearing on this measure April 16, 1987. In addition to a sectional clarification of this measure, you will also find further back up information attached.

Section 1. This additional language to the present law provides for the extensions or modifications to the 15 year term of loans granted under this chapter.

Section 2. This new section specifies the conditions under which an extension or modification under section 1 can be granted, and includes wording that gives the Department of Commerce and Economic Development flexibility in granting the extensions or modifications.

This measure is patterned after other existing loan programs. For example the Commercial Fishing Loan Act (AS 16.10.310. attached), allows that the department may "(4) establish amortization plans for repayment of loans, which may include extensions for poor fishing seasons or for adverse market conditions for Alaskan products;".

In the case of the Agricultural Revolving Loan Fund, a letter to Senator Fahrenkamp from Commissioner Brady indicates that an "aggressive and realistic debt restructuring" program is now being undertaken by the DNR. The letter further states "[T]his proposal is designed to assist producing farmers with their debt problems on an equal basis throughout the state. The plan emphasizes a postponement rather than a forgiveness of ARLF debt obligations..."

CSSB 200 is in keeping with past legislative actions regarding other state resource development loan programs.

As indicated by DCED fiscal note comments, any loans which have been referred to the Department of Law for legal action would not be effected by enactment of this legislation. This legislation would also only effect the state's portion of banks participation loans.

It is important to note that DCED's comments recognize that this legislation "gives the department flexibility in assisting borrowers with repayment modifications."

The major complain staff has received regarding state mining loans is that since receiving a mining loan under one set of mine operating regulations the state has changed the criteria under which the miner is forced to repay the loan, namely the operation of his mine.

There was concern expressed by the committee regarding just what a "poor mining season" was. This has not been defined so as to allow the department discretion in the review and granting of extentions or modifications.

Under AS 27.09.030 "a person who requests a loan under AS 27.09.010 shall prepare an operating plan which describes . . . , the nature and location of advanced mineral exploration, development, or mining for which the loan is requested, the equipment and other resources available to the person to implement the operating plan, and the economic feasibility of the plan. The person requesting a loan shall submit an operating plan to the department." This section allows for the department to have the information necessary to determine whether the borrower's poor mining season was attributable to circumstance that could have been controlled by the borrower, or were a result, as in other loan programs, of circumstances beyond the borrowers control. An example would be acts of God, or lawsuits against government agencies, which indirectly effect the efficient operation of the mine operating plan under which the loan was granted.

Staff has personal knowledge that many miners are distressed with the states response to problems which are effecting their ability to operate within the law. Many more of them will be filing for protection under bankruptcy laws, if the legislature does not allow them the same opportunities granted other borrowers of state funds, the fiscal impacts of this will exceed DCED's fiscal note substantially.

Presently, the Mining Loan program delinquency rate of 38.3% on Balances Outstanding amounts to \$4,705,690.00 of the total loaned. This compares with a 14% delinquency rate on Commercial Fishing loans amounting to \$10,321,640.00 of the total loaned.

Given the present regulatory uncertainty which exists for the mining industry, those individuals whose plans of operation were approved by the state and state loans granted, may unnecessarily be removed from local economies, if CSSB 200 is not enacted now. DCED has a present

approval rate on new loans of zero (0). The last two loans in this program were approved in April of 1986. The applications for these two loans were made in 1985 prior to the state changing the water quality regulations.

Over the two-year moratorium period the Mining Loan Fund would waive an estimated \$2.45 million in interest. Collateral for the Mining Loan Fund includes, but is not limited to, buildings, equipment, machinery, claims, leasehold on claims and real estate. In addition to the \$2.45 million waived in interest accrued, the Mining Loan Fund will experience a reduction in the value of the equipment securing the portfolio through depreciation. Seriously delinquent borrowers who are not operating their claims may not have cash flow to maintain/caretake/winterize their equipment causing early/advanced deterioration. Also, in spite of the remote locations of the mining claims, there is the risk of the equipment being vandalized, stripped or disappearing. After the two-year moratorium period, the mining portfolio may be undercollateralized.

Assumptions:

1. There are currently 13 loans, \$3.9 million, in litigation. These files have been referred to the Department of Law for legal action. All legal activity would continue upon enactment of the moratorium.
2. The moratorium would be enacted only on the state's portion of participating loans. The portfolio includes two bank participation loans with an outstanding balance of \$916.4.

Recommendation: The division has mining loan extension packets available. All extension requests are evaluated on a case-by-case basis. Lenient procedures are in place for loan payment extension requests resulting from the injunction or court ordered shutdown of placer mines under BLM lawsuit (Sierra Club vs. Michael Penfold, Director Alaska State Office of Bureau of Land Management).

STATISTICS ON DCED LOAN PROGRAMS
(Thousands of Dollars)

February 28, 1987

	Veterans	Small Business	Commercial Fish	Tourism	Bulk Fuel	Child Care	Hist Dist	Mining	Alternative Energy	Resid. Energy	Fish Enhance	Power Dev.	Water Resource	Total
COMMITMENTS														
Total No. Loans Committed FY 72-87	7,718	1,338	3,156 ³	59	233	62	12	71	2,944	2,232	134	5	5	17,969
Total Dollar Amount Committed FY 72-87	371,795.2	202,529.3	183,661.3 ³	29,874.7	8,438.7	2,175.6	1,345.4	28,426.4	19,299.6	8,346.5	52,619.8	193,847.0	2,500.0	1,104,859.5
Total No. Loans Committed FY 82	-0-	-0-	106 ³	-0-	16	3	1	-0-	10	2	10	1	-0-	149
Total Dollar Amount Committed FY 87	-0-	-0-	6,280.8 ³	-0-	432.9	150.0	250.0	-0-	88.8	8.6	1,846.3	1,000.0	-0-	10,057.4
APPROPRIATIONS														
FY 84	-0-	-0-	9,091.0	-0-	-0-	869.5	500.0	-0-	2,400.0	3,123.4	6,500.0	N/A	-0-	22,483.9
FY 85	-0-	-0-	3,500.0	-0-	-0-	-0-	-0-	-0-	1,000.0	-0-	5,000.0	210,000.0	-0-	219,500.0
FY 86	-0-	-0-	3,710.0	-0-	-0-	-0-	-0-	-0-	845.0	-0-	812.0	-0-	-0-	5,367.0
FY 87					64.0		400.0							464.0
LOANS OUTSTANDING														
Owned by Fund														
Number of Loans Outstanding	27	20	1,445	3	49	36	5	46	1,559	1,218	114	1	1	4,524
Principal Amount Outstanding	1,595.6	3,074.9	62,423.7	1,071.9	809.3	1,348.9	735.2	12,286.4	10,671.0	3,147.9	45,359.5	186,104.1	867.6	329,496.0
Average Loan Amount Outstanding	59.1	153.7	43.2	357.3	16.5	37.5	147.0	267.1	6.8	2.7	397.9	186,104.1	367.6	72.8
Serviced for AIDA														
Number of Loans Outstanding	1,575	200	320	7	N/A	1	3	N/A	N/A	N/A	11	N/A	N/A	2,117
Principal Amount Outstanding	68,372.6	17,227.5	11,302.3	914.2		6.6	96.4				6,023.2			103,342.8
Average Loan Amount Outstanding	43.4	86.1	35.3	130.6		6.6	32.1				547.6			49.1
Summary														
Total No. of Loans Outstanding	1,602	220	1,765	10	49	37	8	46	1,559	1,218	125	1	1	6,641
Total Principal Amount Outstanding	69,968.2	20,302.4	73,726.0	1,986.1	809.3	1,355.5	831.6	12,286.4	10,671.0	3,147.9	51,382.7	186,104.1	867.6	433,438.8
DELINQUENCY RATES AND DEFAULT STATISTICS														
Statistics Based on Balances Outstanding														
% Delinquent ¹	6.5%	9.3%	14.0%	6.5%	25.7%	10.9%	-0-	38.3%	5.2%	8.1%	5.7%	-0-	-0-	5.9%
% In Default ²	1.5%	24.2%	4.6%	4.3%	1.6%	12.7%	-0-	31.6%	3.6%	3.6%	3.0%	-0-	-0-	3.6%
Statistics Based on Number of Loans														
% Delinquent ¹	5.6%	10.9%	11.3%	22.2%	26.5%	8.1%	-0-	39.1%	4.5%	7.0%	6.4%	-0-	-0-	7.8%
% In Default ²	1.4%	18.2%	2.9%	11.1%	4.0%	10.8%	-0-	28.2%	4.1%	2.4%	1.6%	-0-	-0-	3.5%

¹ Delinquent is defined as 60 days or more past due, not in litigation.

² Default is defined as in litigation.

³ Prequalifications NOT included

MEMORANDUM

State of Alaska

TO: Martin J. Richard, Director
Division of Investments

DATE: March 24, 1987

FILE NO.:

THRU:

TELEPHONE NO.:

SUBJECT: Loan Fund Commitments

FROM: Mary Graham *mgd*
Accounting Technician I
General Ledger Section

The following are loan commitment amounts through March 20, 1987 and the amount remaining available to lend.

<u>LOAN FUND</u>	<u>FY 87 AUTHORIZED</u>	<u>PRE-QUALIFICATION</u>	<u>LOAN COMMITMENTS</u>	<u>BALANCE AVAILABLE</u>
CF (1)	\$14,500,000.00	\$1,872,984.00	\$6,849,631.97	\$5,777,384.03
FE	3,102,000.00		1,846,277.00	1,255,723.00
CC	390,000.00		150,000.00	240,000.00
HD	260,000.00		250,000.00	10,000.00
Mining	325,000.00		-0-	325,000.00
AE	88,800.00		61,153.00	27,647.00
REC	8,600.00		8,550.00	50.00
BF	no restrictions		418,174.00	no restrictions

(1) Authorization to lend increased per Pete Jeans, Office of the Governor, March 13, 1987.

MG/wfs5382W
32487g

cc: Connie S. Green, Accounting Supervisor IV
Greg Winegar, Juneau Regional Loan Manager
Bob Richardson, Anchorage Regional Loan Manager
Willis E. Greimann, Fairbanks Regional Loan Manager

STEVE COWPER, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

POUCH M
JUNEAU, ALASKA 99811
PHONE:

February 23, 1987

The Honorable Bettye Fahrenkamp
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Fahrenkamp:

As you are aware, there is increasing concern over the future of agriculture in Alaska. Farmers are unable to service the high debt loads incurred during development. This is further intensified by the lowest commodity prices the agricultural industry has experienced.

The Agricultural Revolving Loan Fund delinquency rates are a reflection of that economic condition, mirroring the decline of land prices, commodity prices, marketing and production problems.

The ARLF delinquency rate for 232 borrowers and 632 loans has been steadily increasing to the current level of 59.6%. Concurrently the State is facing severe economic problems and the legislature is in session today dealing with revenue shortfalls.

The Sheffield administration placed a 35% lending restriction on ARLF funding. ARLF had no appropriations into the fund for two years and budget discussions currently indicate that ARLF is facing a serious effort to remove a substantial portion of the remaining funds available. At a minimum, ARLF must immediately become self-sufficient in generating repayment to fund the total operating needs each year.

The ARLF Board has proposed such a debt restructuring program. An aggressive and realistic debt restructuring is necessary. This proposal is designed to assist producing farmers with their debt problems on an equal basis throughout the state. The plan emphasizes a postponement rather than a forgiveness of ARLF debt obligations in recognition of previous state investments in Alaskan agriculture.

The Hon. Bettye Fahrenkamp -2-

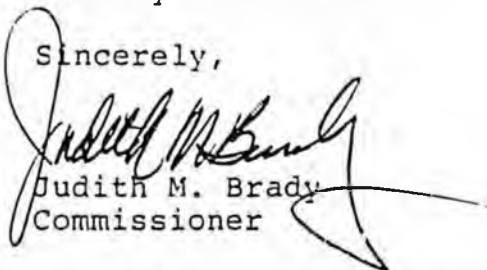
February 23, 1987

Farmer participation in the development of this proposed program is being obtained through teleconferencing, written comments and meetings.

We are bringing this proposal to key legislators for your additional perspective in reaching viable solutions to the debt problem. A briefing is being provided for legislators and their aides on Wednesday, February 25, at 3 p.m. in the Department of Natural Resources Conference Room on the 5th floor Willoughby Building.

If we can work jointly in developing a viable and equitable solution to agricultural debt we will maintain a core agricultural industry in the State as well as create a healthy loan fund.

Sincerely,



Judith M. Brady
Commissioner

cc: John Messenger, ARLF Chairman
Dean Brown, Acting Director
Hal Ward, ARLF Manager

Senator John B. (Jack) Coghill
Alaska State Legislature



Box V
Juneau, Alaska 99811
(907) 465-4797

Box 55028
North Pole, Alaska 99705
(907) 488-0862

May 17, 1987

Dear Colleague:

I urge you to support CS SB 200.

This legislation contains some of the same language found in the commercial fishing loan fund. AS 16.10.310 allows repayment of loans "which may include extensions for poor fishing seasons or for adverse market conditions for Alaskan products. There is no definition of what a "poor fishing season" is.

We have experienced a dramatic decline in the number of mining operations across the state. This has been the result of declining gold prices as well as the Department of Environmental Conservation's action increasing the stringency of water quality regulations. DEC's 1985 action took place after all but 2 of the mining loans had been granted.

This measure does not effect loans already in default. It would allow miners who are operating at reduced levels of production because of the regulation changes, an opportunity to repay their loans without causing the unreasonable burdens.

I urge passage of this legislation.

Sincerely,

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

Senator John B. Coghill

STATISTICS ON DCED LOAN PROGRAMS
(Thousands of Dollars)

October 31, 1987

	Veterans	Small Business	Commercial Fish	Tourism	Bulk Fuel	Child Care	Hist Dist	Mining	Alternative Energy	Resid Energy	Fish Enhance	Power Dev.	Water Resource	Total
COMMITMENTS														
Total No. Loans														
Committed FY 72-88	7,718	1,338	3,263 ³	59	265	63	12	73	2,944	2,232	146	5	5	18,123
Total Dollar Amount														
Committed FY 72-88	371,795.2	202,520.3	189,591.3 ³	29,874.7	9,627.6	2,200.6	1,345.4	28,597.4	19,299.6	8,346.5	54,734.5	193,847.0	2,500.0	1,114,291.1
Total No. Loans														
Committed FY 88	0	0	33 ³	0	17	0	0	0	0	0	8	0	0	58
Total Dollar Amount														
Committed FY 88	0	0	1,737.6 ³	0	630.6	0	0	0	0	0	2,690.0	0	0	5,058.2
APPROPRIATIONS														
FY 85	0	0	3,500.0	0	0	0	0	0	1,000.0	0	5,000.0	210,000.0	0	219,500.0
FY 86	0	0	3,710.0	0	0	0	0	0	845.0	0	812.0	0	0	5,367.0
FY 87	0	0	0	0	64.0	0	400.0	0	0	0	0	0	0	464.0
FY 88	0	0	0	0	0	0	0	0	0	0	2,200.0	0	0	2,200.0
LOANS OUTSTANDING														
Owned by Fund														
Number of Loans														
Outstanding	24	19	1,473	2	48	35	6	46	1,438	1,098	122	1	1	4,313
Principal Amount														
Outstanding	1,372.2	3,058.4	61,434.2	1,029.0	1,123.5	1,267.1	973.4	12,378.0	9,787.5	2,632.1	48,402.2	186,104.1	835.9	330,395.6
Average Loan Amount														
Outstanding	57.2	181.0	41.7	514.5	23.4	36.2	162.2	269.1	6.8	2.4	396.7	186,104.1	835.9	76.6
Serviced for AIDEA														
Number of Loans														
Outstanding	1,513	186	270	7	N/A	1	3	N/A	N/A	N/A	11	N/A	N/A	1,991
Principal Amount														
Outstanding	64,420.7	15,452.3	8,954.4	845.5		5.5	84.7				6,029.1			95,781.9
Average Loan Amount														
Outstanding	42.6	83.1	33.2	120.8		5.5	28.1				548.1			48.1
Summary														
Total No. of Loans														
Outstanding	1,537	205	1,743	9	48	36	9	46	1,438	1,098	133	1	1	6,304
Total Principal														
Amount Outstanding	65,792.9	18,510.7	70,388.6	1,874.5	1,123.5	1,272.6	1,057.8	12,376.0	9,787.5	2,632.1	54,431.3	186,104.1	835.9	426,187.5
DELINQUENCY RATES AND DEFAULT STATISTICS														
Statistics Based on Balances Outstanding														
% Delinquent ¹	6.6%	14.0%	3.3%	5.3%	1.4%	3.8%	0	11.3%	3.7%	8.1%	0.1%	0	0	2.9%
% In Default ²	1.6%	23.1%	5.1%	5.3%	10.8%	22.5%	0	43.4%	5.6%	4.5%	2.9%	0	0	4.0%
Statistics Based on Number of Loans														
% Delinquent ¹	5.5%	13.7%	2.4%	11.1%	8.3%	2.8%	0	28.3%	3.6%	6.0%	0.8%	0	0	4.7%
% In Default ²	1.4%	17.6%	3.2%	22.2%	12.5%	16.6%	0	32.8%	5.3%	3.4%	1.5%	0	0	4.3%

¹ Delinquent is defined as 60 days or more past due, not in litigation
² Default is defined as in litigation.
³ Prequalifications NOT included

S B

205

HOUSE COMMITTEE REPORT

(9)

Date referred: 4/22/87

FURTHER REFERRALS: Finance

DATE: 5/9/87
CSSB 205 (Res)

The Resources Committee has considered

"An Act relating to the Railbelt energy council; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published 4/17/87
- zero with analysis

SIGNING DO PASS:

Sen. Cate

Dirk Shultz

SIGNING OTHER RECOMMENDATIONS:

Mike Ayers - no rec

Sen. Hoff No Rec

Sen. Lippold No Rec

Sen. Pelt no rec

Cliff Davidson no rec

Herb Spriggs No Rec

Adelheid Herrman No Rec

Sen. Cate

Chairman's signature

Senator John B. (Jack) Coghill
Alaska State Legislature



Box V
Juneau, Alaska 99811
(907) 465-1797

Box 55028
North Pole, Alaska 99705
(907) 488-0862

May 4, 1987

To: Members of the House Committee on Resources

From: Senator Coghill

Re: "SB 205, An Act Relating to the Railbelt energy council and providing for an effective date"

The Railbelt Energy Council (REC) was created by the Legislature during the 1986 session. The Council was established to review various energy related issues and problems of the Railbelt and how best to utilize the Railbelt Energy Fund (REF). The Council was to report its recommendations to the Legislature by February 15, 1987.

The Council was of immense value to all 13 of its members. The legislators became well-versed with the Railbelt energy issues, while the utilities were able, for the first time, to forge a consensus on how best to address the Railbelt energy needs. The council completed its report on January 24, 1987 and transmitted its unanimous findings and recommendations to the legislature.

SB 205 will extend the Council for one year in order to monitor the implementation of its recommendations. In addition, it will provide the only formal mechanism for participation by the Railbelt utilities. The Council will report to the 1988 legislature on how well the recommendations are being implemented and whether there are any remaining problem areas.

In addition, SB 205 will add the Alaska Power Authority to the membership of the Council. The purpose is to make sure that all key players are officially represented in order to enable the Council to address the Railbelt energy issues in the most comprehensive and coordinated manner possible.

STATE ENERGY POLICY TASK FORCE

DRAFT WORK PLAN

April 7, 1987

Introduction: Establishing a task force to investigate a significant public issue is, conceptually, an excellent way to gain a concensus and to tap the technical expertise that exists within the public. However, it seems more often than not that task forces, blue ribbon panels, and the like end up with few recommendations that can really be considered as problem solvers. Either the recommendations are unrealistic or too bland to stimulate any action.

The key to having a task force which produces a report worthy of notice requires:

1. A purpose which clearly defines the issue but does not impose an answer.
2. Inclusion of members who can relate to public policy as well as to parochial needs.
3. A chairperson who keeps things together.
4. Staff support that provides task force members, on a timely basis, the information that is needed to make intelligent decisions.

We intend that this task force avoid the pitfalls that are inherent in the usual approach and become an example of how to get things done. We intend that the Task Force produce an action plan that is legislated and provides, for the first

time, a rational, cost-effective energy program for Alaska. Following is an outline for the State Energy Policy Task Force, for which the Governor's FY88 capital budget includes a \$300,000 appropriation request to the APA.

Objective: The objective of the State Energy Policy Task Force is to develop a five-year work plan for state energy programs with emphasis on policy.

Specific tasks for this effort are to:

1. Develop a five-year plan for the state's energy programs with emphasis on:
 - a. New energy policy that is needed to adjust to the economic conditions that are expected in Alaska over the next five years.
 - b. A work plan for state energy programs to improve program delivery and reduce costs.
 - c. An organizational structure for state energy programs that fits with this policy and work plan.
 - d. The statutory changes that will be required to accomplish this plan.

2. Become familiar with:
 - a. Alaska's energy resources.
 - b. Energy technologies being used in Alaska.
 - c. Energy demand forecasts (electrical and thermal) for each region of the state.
 - d. State revenue forecasts.
 - e. State population forecasts.
3. Review existing state energy policy and programs particularly the organizational structures, budgets, statutes and regulations of those agencies that are directly involved in energy.
4. Give consideration to the request by last year's legislature that the administration should evaluate the benefits of consolidating some of the state's energy programs into one agency.
5. Determine what role federal agencies and local governments play in meeting Alaska's energy needs.
6. Determine what role the private sector (including utilities) play in meeting Alaska's energy needs.
7. Become familiar with organization of energy programs in other states.
8. Provide the public with extensive opportunity to add to the information available to the Task Force and to shape the direction of state energy programs.

Although energy demand forecasts, technological assessments, and quantification of conservation savings will be essential for developing a five-year energy plan, the Task Force will not have the budget or time to develop its own models. However, there is enough information available from state agencies, utilities, etc., to meet Task Force needs. Some of this information may be developed in parallel with the Task Force efforts.

The Task Force will not be expected to recommend or endorse specific projects. The state has a project approval process for this purpose which it is required to comply with, and the Task Force should suggest any changes to this project process. More importantly, the Task Force should set specific objectives to be accomplished by specific future projects.

Task Force Make-Up:

The Task Force will be composed of eleven members representing the private sector, public interest groups, and the Chairperson of the Alaska Power Authority Board of Directors. Suggested representatives are:

I. Chairperson

- a. Chairperson of The APA Board of Directors

II. Electrical Utilities:

- a. Railbelt (Railbelt Energy Council)
- b. Southeast and Four Dam Pool area
- c. Rural

III. Industry

- a. Coal producers
- b. Oil and gas (Enstar)
- c. Independent energy producers

IV. Public Interest

- a. Environmental organizations
- b. Consumer organizations (ACAP or CARES)
- c. Rural energy specialist (Rural CAP or AREA)
- d. Public - at - large

Persons selected for the Task Force should be willing to represent their respective interest group (not just their own organization) and participate in concensus decision making. Unless there is some particular individual in mind, the selection process will target an organization (for example, the Alaska Systems Coordinating Council (ASCC) for the utilities) and request that the organization recommend an individual.

Ex-Officio members of the Task Force will include the:

1. Executive Director of the APA.
2. Commissioner of C&RA
3. Chairperson of the APUC
4. Legislature (two from the House and two from the Senate)
 - a. Fairbanks
 - b. Anchorage
 - c. Southeast
 - d. Rural

The Task Force should expand participation in order to solicit more information by setting up advisory committees or subcommittees. Some areas where more technical advice could be useful are:

1. Utility generation expansion plans.
2. Demand-side technology.
3. Third party financing interest.
4. Forecasts for electrical and thermal energy.
5. Energy conservation potentials.

Pursuant to this, the Task Force should empanel an "Alaska Energy Experts" group so that the best technical information will be available during the Task Force's deliberations.

To develop the most useful five-year plan, the Task Force will need to acquire a comprehensive understanding of the state's energy programs. Staff assigned to the Task Force will be responsible for assembling the needed information. Staff support will consist of one person from each of the following agencies:

1. OMB (full-time)
2. APA (full-time)
3. C&RA (part-time)
4. AG (part-time)

An invitation will be extended to the House Research Agency and the Senate Advisory Council to participate as staff at their own expense.

Products: The product of the Task Force will be divided into two major components.

The first section will include the following:

1. A summary of energy programs and projects that exist in Alaska and expected energy demand (electrical and thermal) for the next five years.
2. A list of findings or issues regarding Alaska's energy supply and demand for the next five years.

3. Recommendations regarding:
 - a. State energy policy.
 - b. A five-year plan and budget for all state energy programs.
 - c. The organizational structure that will best facilitate state energy programs.
 - d. Statutory changes that are needed to accomplish any organizational changes.

The second section will include the following:

1. An update of previous reports (i.e. Alaska's Energy Plan for 1985 and 1986) regarding Alaska's:
 - a. Energy resources including fossil fuels and alternative sources of energy.
 - b. Energy technologies and systems that are in use or applicable to Alaska.
 - c. Energy demand for electrical, thermal, and transportation needs with an emphasis on end-use.
2. A description of the state energy programs and projects including:
 - a. Performance data.
 - b. Previous funding.
 - c. Relevant statutes and regulations.

3. A description of energy programs in Alaska that are sponsored by the Federal government or local government.
4. A description of the private sector's present and projected involvement in meeting the energy needs of Alaska's residential, commercial and industrial sectors.

The task force report will provide most of the information that is needed for the state's annual energy plan.

Budget: A detailed budget will be developed once the work plan is agreed to. Items to be budgeted include staff support, travel, visual materials, printing, meeting rooms, telephone calls and possibly consultant services.

Schedule: Following is a suggested schedule for the Task Force:

April

First week:- Write a draft version of a Task Force work plan.

- Circulate draft work plan to the Governor's Office, APA, C&RA, and the AG.

- Provide the House and Senate Finance Committees with a copy of the draft work plan.

- Develop a tentative budget

Second week:- Make adjustments to the work plan based on comments received.

- Contact Commissioners of C&RA and APUC and the Attorney General regarding their involvement in Task Force.

- Distribute a draft version of the work plan to those on the Alaska Energy Experts mailing list with a request for comments.

- Outline information requirements for the task force.

Third week:- Follow-up calls to those who received a draft work plan.

- Summarize responses to the work plan.
- Amend work plan if needed.
- Complete budget.
- Make tentative selections for Task Force members.
- Attend APA Board meeting (April 22) in Juneau.

Fourth week:- Finalize work plan.

- Develop information packets needed for first Task Force meeting.

May

First week:- Continue working on information packets.

- Coordinate inter-agency effort, particularly with C&RA and APUC, and AG.

Second week:- Select Task Force members.

- Establish first meeting place. (Probably Anchorage).
- Make travel arrangements.

Third week:- Continue working on information packets.

- Continue arrangements for first meeting.
- Follow-up phone calls to those selected to be on Task Force.

May

Third week (cont):

- Prepare press release on first Task Force meeting.

Fourth week:- Prepare public notices on first Task Force meeting.

- Public notices on first Task Force meeting.
- Press releases about the Task Force.

June

First Week:- Capital budget signed by Governor and Task Force appropriation becomes effective.

- Complete arrangement for Task Force meeting.
- Prepare Governor's kick-off speech with emphasis on his goals and objectives for state energy program.

Second Week:- First Task Force meeting with kick-off speech by the Governor.

- Task Force decisions to be made:
 1. Adoption of work plan.
 2. Information requirements.
 3. Establishing advisory committees.
 4. Meeting schedule.

Third week:- Select members for advisory committees.

- Plan meeting with advisory committee.
- Advisory committee meetings.
- Develop data base requested by Task Force.

Fourth week: - Continue to work on data base.

- Advisory committee meetings

July - In anticipation of having difficulties in accomplishing much during the summer, Task Force meetings will be minimal and emphasis will be on informing Task Force members of state energy programs and needs. However, at least one Task Force meeting should be held during July or August.

- Assemble information from advisory committees into a report.

August - Final coordination for public meetings to be held in September.

- Staff prepares an information packet which is publicly distributed to the Alaska Energy Experts mailing list before public meetings are held.

September - Task Force holds public meetings. Possible locations are:

1. Railbelt
 - a. Anchorage
 - b. Fairbanks
 - c. Homer
2. Southeast
 - a. Ketchikan
3. Rural Alaska
 - a. Bethel
 - b. Kotzebue
 - c. Tanana
 - d. Unalakleet

October - Task Force meeting is held after public meetings to assimilate the information that has been obtained.

-- Task Force begins writing its report.

November - Draft of the report is sent to those who have expressed interest in the opportunity to comment.

- Public teleconference meeting is held on the draft report.

- December
- Consider having national experts on energy give presentations at the public meeting.
 - Task force finalizes its report. Report and draft legislation is sent to the Governor for transmission to the legislature.

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- (A) The Fund will be established and held by the Committee in an interest-bearing account in trust for the benefit of the Initial Project.
- (B) The monies in the Fund shall consist of the Purchasers' contributions under Section 5(b)(i)(C) of this Agreement, any contributions to the Fund from sources other than the Purchasers, and interest earned on all such contributions.
- (C) Proposed expenditures from the Fund shall be subject to approval by the Committee and consistent with criteria the Committee shall adopt.
- (D) In order to permit the Fund balance to increase as rapidly as possible, the Authority agrees that before expenditures are made from the Fund the Authority will use for renewal and replacement purposes, as necessary, all available and previously unexpended proceeds from the loan used to finance the Initial Project under AS 44.33.
- (E) The Fund and the Purchasers' contributions shall continue during the term of this Agreement and any period for which this Agreement is renewed. Thereafter, the Committee shall pay over to the Authority the unexpended balance of the Fund.

SECTION 7. Project Management Committee; Formation and Duties.

(a) The Parties hereby establish a Project Management Committee (the "Committee") to implement the provisions of this Agreement. The Committee shall consist of one representative of each Party.

(b) Each Party shall notify all other Parties in writing of its designated representative and of an alternate representative. Any Party may change its representative or alternate representative at any time and shall promptly provide written notice of such change to all other Parties.

(c) The Committee shall meet at least quarterly. Written minutes shall be kept for all meetings of the Committee.

(d) The Committee shall adopt, by majority approval, procedural rules governing the conduct of the Committee's affairs. Such rules shall address, among other matters, the periodic selection of Committee officers, procedures for the conduct of

Committee meetings, procedures for dispute resolution, and, to the extent not otherwise specified in this Agreement, voting requirements for approval of matters to be decided by the Committee.

(e) The following matters shall be determined by the Committee:

(i) Annual budgets for items comprising the total Power Production Cost;

(ii) The creation and administration of the R & R Fund, the Initial Project Revenue Fund, and any other funds created by the Committee;

(iii) Provision for insurance of Initial Project facilities, including determination of coverage limits, choice of insurers, and disposition of insurance claim proceeds;

(iv) Procedures and standards for budgeting and billing;

(v) Auditing standards and procedures;

(vi) Technical, operating, and maintenance standards;

(vii) Calculation of the estimated Wholesale Power Rate pursuant to Section 5(c) of this Agreement and any revision of the estimated Wholesale Power Rate pursuant to Section 5(d);

(viii) Load estimates as required under this Agreement, or as determined by the Committee to be necessary;

(ix) Determination of standards for capital asset acquisition and accounting;

(x) Standards for expenditures requiring the agreement of all Parties; and

(xi) Such other matters as required by this Agreement or that a majority of the Committee determines appropriate, provided that the Committee shall have no authority to modify or amend the terms or conditions of the Agreement.

(f) Notwithstanding Sections 7(d) and 7(e) of this Agreement, the following matters shall require the concurrence of the Committee representatives of both the Authority and a majority of the Purchasers:

(i) Adoption of procedural rules pursuant to Section 7(d) of this Agreement;

(ii) Annual budgets for items comprising the total Power Production Cost;

(iii) Minimum levels of insurance on the Initial Project facilities; and

(iv) Technical, operation, and maintenance standards for the Initial Project facilities.

(g) The Committee shall provide for the annual audit of all Power Production Costs, pursuant to procedures and standards adopted by the Committee.

(h) The Committee may create special purpose committees as appropriate, provided that the Committee may not delegate its decision-making duties to any such special purpose committees.

SECTION 8. Performance Pending Dispute Resolution.

(a) After adjudication by the Project Management Committee or by a body appointed pursuant to rules and procedures adopted by the Project Management Committee, any Party may file an action in the superior court of the State of Alaska with respect to the matter in dispute to obtain a decision resolving such dispute and to obtain any other remedy permitted by law. Unless the Parties to the dispute determine otherwise, such action shall be an original action on the merits in which each Party shall have the right to introduce testimony or other evidence concerning any such matter in dispute, including without limitation, the result of the adjudication, and each Party shall be entitled to a full hearing on the matter.

(b) Pending resolution of any disputed matter, the Parties shall continue performance of their respective obligations under this Agreement. The existence of an unresolved dispute shall not excuse the Authority from delivering power hereunder or excuse the Purchasing Utilities from making payment for such power. Rather, the Parties shall continue to perform while pursuing other remedies, including judicial remedies, available to them under this Agreement.

(c) Upon the failure of any Purchaser to make any payment under this Agreement, the Authority may bring any suit, action, or proceeding at law or in equity, including mandamus, injunction, and actions for specific performance, as may be necessary or appropriate to enforce that Purchaser's payment obligation.

(d) No remedy conferred upon or reserved the Parties is intended to be exclusive of any other remedy or remedies available hereunder or now or hereafter existing at law, in equity, by statute, or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other such remedy.

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

SB 206
STEVE COWPER, GOVERNOR

REPLY TO:

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1st NATIONAL CENTER
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FAIRBANKS, ALASKA 99701-4679

P.O. BOX K—STATE CAPITOL
JUNEAU, ALASKA 99511-0300
PHONE: (907) 465-3600

April 29, 1988

Honorable Sam Cotton
House Resources Committee
Pouch V
Juneau, Alaska 99811

Re: SB 206

Dear Chairman Cotton:

Ned Farquhar has asked on your behalf for an opinion regarding an amendment to the legislation establishing the power project loan fund, AS 44.83.170. You have asked whether the legislature needs to appropriate to the fund the principal and interest repayments on outstanding loans previously made from the power project fund. No. If the legislature passes HCSCSSB 206, that act will adequately direct repayments on outstanding loans from the fund to the new "revolving revenue bond fund."

The legislature established the power project fund in the Alaska Power Authority to lend money to eligible borrowers for the construction of power projects. AS 44.83.170(a). At present the fund includes only money appropriated by the legislature. Id. Repayments of principal and interest on loans from the current fund must be deposited in the general fund. AS 44.83.170(g).

Section 4 of HCSCSSB 206 would change the primary method by which the power project fund is capitalized from legislative appropriations to bond financing. The APA would issue bonds to make loans to finance the construction or acquisition of power projects. The APA could pledge the principal and interest repayments on loans made with the proceeds of the bond sale as well as the principal and interest repayments on outstanding loans as security for the bonds. The effect of section 4 of HCSCSSB 206 would be to create a revolving revenue bond fund to meet the APA's bond obligations. 1/

In an earlier opinion from this office, Attorney General Wilson L. Condon concluded that there is an implied exception to the dedicated fund prohibition for bond obligations. 1982 Op. Atty. Gen. No. 13 (Nov. 30) at 26. Thus, the creation

1/ Revolving loan funds provide for the return to the fund of repayments by borrowers so that new loans can be made on a continuing basis. 1982 Op. Atty. Gen. No. 13 (November 30), at 12.