

ALASKA LEGISLATURE COMMITTEE FILES, 2003-2004 8672

11091 HOUSE TRANSPORTATION

**321.323A Approaching certain stationary vehicles.**

1. The operator of a motor vehicle approaching a stationary authorized emergency vehicle that is displaying flashing yellow, amber, white, red, or red and blue lights shall approach the authorized emergency vehicle with due caution and shall proceed in one of the following manners, absent any other direction by a peace officer:

a. Make a lane change into a lane not adjacent to the authorized emergency vehicle if possible in the existing safety and traffic conditions.

b. If a lane change under paragraph "a" would be impossible, prohibited by law, or unsafe, reduce the speed of the motor vehicle to a reasonable and proper speed for the existing road and traffic conditions, which speed shall be less than the posted speed limit, and be prepared to stop.

2. The operator of a motor vehicle approaching a stationary towing or recovery vehicle, or a stationary highway maintenance vehicle, that is displaying flashing yellow, amber, or red lights shall approach the vehicle with due caution and shall proceed in one of the following manners, absent any other direction by a peace officer:

a. Make a lane change into a lane not adjacent to the towing, recovery, or highway maintenance vehicle if possible in the existing safety and traffic conditions.

b. If a lane change under paragraph "a" would be impossible, prohibited by law, or unsafe, reduce the speed of the motor vehicle to a reasonable and proper speed for the existing road and traffic conditions, which speed shall be less than the posted speed limit, and be prepared to stop.

**Section History: Recent form**

2002 Acts, ch 1013, §1

**Footnotes**

For applicable scheduled fines, see §805.8A, subsection 11, paragraph b

---

Previous Section [321.323](#)

Next Section [321.324](#)



**Subject:** New Alaska Statute

**Date:** Sat, 07 Feb 2004 01:12:33 -0900

**From:** Eric Jewkes <ejewkes@ci.fairbanks.ak.us>

**To:** Representative\_Jim\_Holm@legis.state.ak.us

I have read over the proposed statute AS 28.35.185 and give it my support. One, often overlooked, danger emergency service personnel frequently face is that of careless drivers. With so much of our time being spent on or near the road way, this danger is one that is difficult to defend against. Nothing we have can stop a 6000 pound car traveling at 55 plus mph.

To add a personal story relating to this: After working for the Fairbanks Police department around 2 years I responded to a traffic accident on the Johansen expressway. The vehicles involved in the accident were not able to be driven, which meant staying on the roadside, near the Peger overpass. I was aware of the dangers of passing cars and had one of the driver's, whom I was speaking with, stand with me in front of my car. While I was talking to the driver I heard a vehicle sliding on the ice. I turned around to see a Jeep, out of control, and heading right at my patrol car, and us. I had just enough time to tell the other driver to run. We both ran toward the guardrail, jumping over it and down the embankment(luckily just passed the overpass and not on the actual bridge). The Jeep struck my patrol car, at approximately 50 mph, in the middle of the driver's door, pushing my car into the area where we had just been standing.

Would this proposed law change what happened or what could have happened? Maybe not. Regardless, I believe the intent of the law represents what a driver with good sense would do anyway. Unfortunately common sense does not always parallel good sense and a legislative reminder is necessary.

Thank you for your concerns and efforts.

Eric Jewkes, Sergeant  
Fairbanks Police Department

**Subject: Testimonial**

**Date:** Fri, 06 Feb 2004 10:32:27 -0900

**From:** "Douglas L. Whorton" <dlwhorton@ci.fairbanks.ak.us>

**To:** Representative\_Jim\_Holm@legis.state.ak.us

Sir,

I am Sgt. Whorton with the Fairbanks Police Department. I started in Law Enforcement with the Kansas City Missouri Police Department shortly after returning from Desert Shield/Storm. My father retired from KCPD and I grew up around law enforcement. There are lots of stories that show officer being killed or sustaining injuries from working a traffic accident.

I personally know of a recruit who was working East Patrol Division. He responded with his FTO to an accident less than a mile from the station. He was directing traffic when a speeding car topped the hill and ran him down. The recruit was hospitalized with serious injuries and never recovered to the point where he was able to physically perform the job. This ended his career but not his life.

Sgt. James M. Leach was killed by a drunk driver while working Westport Traffic on May 2nd 1992. The drunk driver also killed several civilians in the area of the crash. I worked several times with Sgt. Leach, he was a good man.

Ofc. Thomas R. Meyers was killed by a DUI driver while working a traffic accident on a 4 lane highway. Ofc. Meyers was struck with such force that his body was thrown across four lanes of traffic & the Jersey barrier into the oncoming four lanes of traffic and repeatedly struck again. If I remember correctly the full size Cadillac was estimated at 94 MPH at the moment he hit Ofc. Meyers. I saw Ofc. Meyers in Traffic Court but did not know him. Even he said he was a good man and left behind a devastated family.

I worked East Patrol Division with Ofc. Schultz and even the same area for two years. He had a no nonsense attitude but went far beyond what he needed to do for cases involving children in abusive families. A case of a tough guy with a teddy bear hat for the kids. He was killed responding to a MVA accident. He was also a very good man. I miss him.

I also worked a crash of our department helicopter when they went down in my patrol area. They were heading back to the pad after assisting in a motor vehicle pursuit. The Sgt. was dead and on fire when I arrived. The copilot was smoldering and trying to crawl away and get his revolver upholstered when I arrived. I have no idea to this day what he was going to do with his revolver. He died as we carried him through the woods to the approaching ambulance.

The friends I had that were killed working MVA's you can see on the KCPD home page under Memorials. There are 19 pages of KCPD officers who were killed. I attended every funeral since 1971 through 1995. More than I care to remember. I missed a few when I was in the Air Force but my dad wrote me so I would know.

There is no memorial for those not killed while working MVA's. They are medically retired or as one officer was transferred to supply never to work the streets again from his injuries. The cost associated to the injuries and the loss of not just a job but a way of life is tremendous. What other job is there where you are hurt like this and not be able to seek damages from the person liable for inflicting the damage?

Officer and Police Departments should be able to seek damages for their losses.

Testimonial

I support the bill associated with this e-mail but that is a first step in accountability.

I can be reached at 907 459-6500 x 6415.

Sgt. Whorton

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: HB438-LAW-CDCO-2-13  
 Bill Version: HB438  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: LAW  
 Title "An Act relating to motorists moving over or RDU CRIMINAL  
slowing down for emergency vehicles." Component Criminal Justice Litigation  
 Sponsor Representative Holm  
 Requester House Transportation Component No. \_\_\_\_\_

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

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

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

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2004) cost: 0.0

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

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This bill amends AS 28.35 by adding a new section to require that drivers of vehicles overtaking parked emergency vehicle shall vacate the lane nearest the parked emergency vehicle if two or more lanes travelling in the same direction exist. Otherwise the driver of the overtaking vehicle shall slow to 20 miles an hour below the speed limit except where the speed limit is 25 mile per hour or below, in which case the driver shall slow to five miles per hour. The amendment provides that a violation of the new section is a class A misdemeanor results in personal injury, and an infraction if not.

Passage of this legislation will have no foreseeable fiscal impact on the Department of Law.

Prepared by: Kathryn A. Daughetee, Director Phone 465-3673  
 Division Administrative Services Date/Time 2/13/04 3:03 PM  
 Approved by: Kathryn Daughetee for Gregg D. Renkes, Attorney General Date 2/13/2004  
 Agency Department of Law

# HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: February 5, 2004

FURTHER REFERRALS: State Affairs  
Judiciary

Date of Committee Action: 2/24/04

The TRANSPORTATION Committee considered:

HB 438

HOUSE BILL NO. 438

MOVE OVER LAW FOR DRIVERS

"An Act relating to motorists moving over or slowing down for emergency vehicles."

Recommends it be replaced with  HCS or  CS for \_\_\_\_\_ (\_\_\_\_\_)  
For Senate Bills with new title:  Technical Title  New Title: HCR \_\_\_\_\_  Same Title  New Title

- attach amendments
- add new referral to \_\_\_\_\_ Committee
- Letter of Intent \_\_\_\_\_ Committee

List of Abbrev for Depts.:

- ADM
- CED
- COR
- CRT
- EED
- DEC
- DFG
- GOV
- HSS
- LEG
- LAW
- LWF
- MVA
- DNR
- DPS
- REV
- DOT
- UA

<u>NEW FISCAL NOTES</u>				
<small>*Assigned by Chief Clerk's Office</small>				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
<i>Bruce Massek</i>	Massek			✓	
<i>Donna Stepovich</i>	Donna Stepovich	✓			
<i>Jim Lehning</i>	Jim Lehning			✓	
Chair: <i>[Signature]</i>		✓			
Chair: <i>[Signature]</i>					

# **Fairbanks Police Department**

Attn: Officer David A. Stevenson  
911 Cushman Street  
Fairbanks, AK 99701

February 16<sup>th</sup>, 2004

STATE OF ALASKA HOUSE OF REPRESENTATIVES  
Representative Jim Holme  
ATTN: Matthew Rudig, Staff to Representative Jim Holm  
State Capitol Building  
Juneau, AK 99801

To Whom It May Concern:

I am submitting this letter as a Statement in Support of House Bill 438.

I have been a police officer for over 17 years. I have been a police officer in Alaska since 1993. On October 8<sup>th</sup>, 2000 I was involved in an accident on the Richardson Highway just south of Fairbanks. In my accident, a driver traveling southbound on the Richardson Highway realized at the last minute that I was not merely doing a traffic stop. A wrecker was facing backwards on the highway ready to tow a vehicle. I did things to try and get the driver to slow down. My emergency overhead lights were on. She moved over, but did not slow down. She swerved suddenly and the icy road conditions threw her vehicle into a spin at 50 MPH causing her to crash into my patrol car. On this day, I did something different than I have ever done in my career. I did not get out of my patrol car and direct traffic as I usually do. It was dark. It was snowing heavily and had been raining earlier in the night, causing extremely slick road conditions. I could hardly stand on the road. If I had been out of my vehicle at the time of the accident, I would have been crushed between the patrol car and the car that struck me.

My patrol car was involved in a similar accident in 1998. Fairbanks Police Department Officer Williams using my patrol car. He was working an accident on the Richardson Highway when a driver failed to slow, drove through a large flare pattern and rear-ended my patrol car.

Sergeant Jewkes with the Fairbanks Police Department also was working an accident on the Johansen Expressway near the Peger Road overpass. A vehicle did not slow down and slid on the icy roads. He and a bystander had to jump over an embankment to avoid being crushed as the car struck the guardrail they were standing next to. We are thankful at the Fairbanks Police Department that it was only the embankment, and not the bridge itself.

In the 1980's Fairbanks Police Officer Don Lasage was struck on the Richardson Highway after he stopped to clear debris from the roadway. His emergency overhead lights were on. Officer Lasage was gravely injured and subsequently had to retire on medical retirement.

There are similar stories across the state where officers have jumped out of the way or felt the high speed brush of a mirror passing their head at 55 MPH plus. I have discovered an interesting effect through the years. Some drivers are so busy looking at the emergency overhead lights they actually drive towards them. (You drive to where you are looking.)

The point I see in this law is it will give a person an automatic response to the sight of emergency vehicles along the side of the road. We all take our foot off the accelerator when we see a police car coming the other way. I do it too. Even though we may not be speeding, it is an automatic response. We do not want a speeding ticket. With the proper advertising campaign and support in the media, this law could engrain in most driver's head that

when they seen the emergency overhead lights, they need to slow down and move over. We will automatically think, "Oh, emergency overhead lights... I better slow down and move over." Nobody wants a ticket.

Thank you for your time and consideration in this matter. Please vote for House Bill 438. It is a simple law that could save an officer's life and save our government money in damages and medical bills.

Sincerely,

David A. Stevenson #307  
Police Officer  
Fairbanks Police Department

**HB**

**556**

23 S1938(H)  
Cook  
4/23/04

**CS FOR HOUSE BILL NO. 556(TRA)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-THIRD LEGISLATURE - SECOND SESSION**

**BY THE HOUSE TRANSPORTATION COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): HOUSE STATE AFFAIRS COMMITTEE**

**A BILL**

**FOR AN ACT ENTITLED**

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

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 **\* Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
6 to read:

7 **LEGISLATIVE APPROVAL; PORT DEVELOPMENT PROJECT.** (a) The Alaska  
8 Industrial Development and Export Authority may issue bonds to finance the acquisition,  
9 development, improvement, and construction of port and related facilities located on Lynn  
10 Canal in Southeast Alaska. The port and related facilities shall be owned by the authority and  
11 financed under AS 44.88.172 - 44.88.177. The principal amount of the bonds provided by the  
12 authority for the port development project may not exceed \$20,000,000.

13 (b) This section constitutes legislative approval required by AS 44.88.095(g).

14 **\* Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

## HOUSE BILL NO. 556

IN THE LEGISLATURE OF THE STATE OF ALASKA  
 TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Introduced: 4/21/04  
 Referred: Transportation, Finance

## A BILL

## FOR AN ACT ENTITLED

1 "An Act relating to a port development project at Lynn Canal, providing legislative  
 2 approval for the Alaska Industrial Development and Export Authority to issue bonds ~~or~~  
 3 ~~otherwise provide financing~~ for the project; and providing for an effective date."

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

5 \* Section 1. The uncodified law of the State of Alaska is amended by adding a new section  
 6 to read:

7 LEGISLATIVE APPROVAL; PORT DEVELOPMENT PROJECT. (a) The Alaska  
 8 Industrial Development and Export Authority may issue bonds to finance the acquisition,  
 9 development, improvement, and construction of port and related facilities ~~for use in~~  
 10 ~~conjunction with mining activities and~~ <sup>on</sup> located ~~at~~ Lynn Canal in Southeast Alaska. The port  
 11 and related facilities shall be owned by the authority and financed under AS 44.88.172 -  
 12 44.88.177. ~~The authority may provide financing for the port development project from other~~  
 13 ~~sources in addition to or in lieu of bond proceeds authorized under this section.~~ The principal  
 14 amount of the bonds ~~and other financing~~ provided by the authority for the port development

- 1 project may not exceed \$20,000,000.
- 2 (b) This section constitutes legislative approval required by AS 44.88.095(g).
- 3 \* **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

Rent Dawson  
463-2533

Tim Arnold



Timothy D. Arnold, P.E.  
Vice President and General Manager

Coeur Alaska  
Kensington Mine Project  
3031 Clinton Dr., Suite 202  
Juneau, Alaska 99801  
Telephone 907.789.1591  
Facsimile 907.789.1503  
tamold@coeur.com

Aidea approached him RE Financing  
Exceeds \$10 million cap.

Dock can be used by public.  
AIDEA board mtg. in May.

Call Linda RE CS:

SB 394 Cowdery - Richard  
Lam Cook

## FINANCIAL STATUS OF COEUR D'ALENE MINES CORPORATION

Coeur d'Alene Mines Corporation nearly filed for Chapter 11 bankruptcy protection as recently as April 2002, See "*Coeur d'Alene Mines awash in red ink: Low silver prices may put company into bankruptcy,*" *Idaho Statesman* (April 5, 2002).

The following information relating to important risks and uncertainties that could adversely affect the Company's business, financial condition or operating results is found in Coeur's 2003 Annual Report (10-K), filed with the Securities and Exchange Commission (SEC) on March 9<sup>th</sup>, 2004:

- *We have incurred losses in the last five years due to several factors, including historically low gold and silver market prices, and may continue to incur losses in the future.*
  - *...the Company's net loss amounted to approximately \$67.0 million in the year ended December 31, 2003 compared to a net loss of \$81.2 million in the year ended December 31, 2002.*
- *We may be required to incur additional indebtedness to fund our capital expenditures.*
- *We have not had sufficient earnings to cover fixed charges in recent years and presently expect that situation to continue.*
  - *The amounts by which earnings were inadequate to cover fixed charges were approximately \$29.3 million in 1999, \$47.5 million in 2000, \$3.1 million in 2001, \$81.2 million in 2002 and \$67.0 million in 2003, respectively.*
- *The market prices of silver and gold are volatile and until recently have been near historically low levels. Low silver and gold prices may result in decreased revenues and increased losses, and may negatively affect our business.*
- *We have recorded significant write-downs of mining properties in recent years and may have to record additional write-downs, which could negatively impact our results of operations.*

Source: <http://www.sec.gov/Archives/edgar/data/215466/000089706904000562/cmw537.htm>

**Coeur d'Alene Mines Corporation, the parent company of Coeur Alaska, is an Idaho corporation which operates silver and gold mines in United States, South America, and New Zealand. In 1997, several Coeur shareholders filed suit in Federal District Court for the District of Colorado against the corporation for violating the Securities Exchange Act of 1934. Per court documents, the plaintiffs alleged that Coeur "in a desperate attempt to raise operating capital to bolster its operating results... engaged in an unlawful and fraudulent scheme to inflate the Company's stock price, reduce its operating losses, and create the false impression**

that the Company had returned to profitability.” *Queen Uno Ltd. Partnership v. Coeur d’Alene Mines Corporation*, 183 F.R.D. at 690 (D. Col. 1998).

Although the court did certify the case as a class action suit on behalf of all shareholders who purchased stock between January 9, 1995 and July 11, 1996, the suit never went to trial and was settled in early 1999. Although Coeur strongly denied the allegations and liability, they agreed to pay \$7 million to a settlement fund for the benefit of the plaintiffs. Additionally, the plaintiffs were entitled to 50% of net proceeds, up to \$6 million, from litigation that Coeur was party to over one of their mining projects in New Zealand. *See Company and Case Information, Stanford Law School Securities Class Action Clearinghouse*, available at: <http://securities.stanford.edu/1002/CDE97/>.

## Potential Questions on HB 556 / SB 394:

1. What risks are AIDEA incurring as the "owner-operator" of the port and related facilities? Does AIDEA bear the risk of the bonds issued in support of a development finance project, such as this one?
2. AIDEA has close to \$267 million invested in the DeLong Transportation System that supports the Red Dog mine. Is AIDEA envisioning a similar approach to supporting the Kensington mine by owning the 2 port facilities and roads?
3. Coeur is asking for \$2.9 million for the Cascade Point dock facility and \$4.4 million for the Slate Creek Cove dock facility. What other aspects of the project might be covered under the \$20 million authorized in the bill?
4. HB 556 allows the Authority to provide financing from other sources in addition to bonds. What might these be?
5. In the past, AIDEA considered the extent to which a development finance project has local support. Does it still follow this policy? If not, when was the policy changed and why?
6. This project is months away from obtaining the necessary federal and state permits. The US Forest Service that owns the land on which most of the mine will be situated will not have a Final Environmental Impact Statement and Record of Decision released until September at the earliest. Would AIDEA begin the evaluation of this project before the project is actually legally permitted to proceed?
7. SB 394 does not specify that the projects are for use "in conjunction with mining activities" as does HB 556. What other uses of the port and related facilities besides support for the mine are envisioned by AIDEA?
8. The Juneau Access project (road link with Skagway) has considered developing a AK Marine Hwy. ferry terminal in Berners Bay. Could this terminal be covered by the AIDEA bonds?
9. Coeur Mining Corporation has had a very unstable financial history – it was nearly in bankruptcy a few years ago. How carefully will AIDEA consider the creditworthiness of Coeur?

## Senate Bill 394 / House Bill 556 ~ AIDEA Bonds for Lynn Canal Port

- Both bills provide legislative approval for AIDEA's bonding authority (For projects greater than \$10 million, legislative approval of bonding authority is required.)
- Bills also direct that AIDEA will own the projects; thus, the projects would fall under AIDEA's Development Finance Program, also described as the Economic Development Account
- HB 556 specifies that bonds are to be used "in conjunction with mining activities"
- HB 556 permits consideration of other financing sources in addition to bonds
- **The Financial Stability of Coeur Alaska, Inc., the Kensington Gold Project's developer** - In his message that accompanied AIDEA's FY03 Annual Report, Governor Murkowski stated: "AIDEA's record shows that success generally follows when decisions are based on sound business principles rather than political considerations." Given that Coeur Alaska's parent company, Coeur d'Alene Mines Corporation, based in Idaho, has been plagued with financial troubles and that the Kensington Gold Project is highly controversial among residents of Juneau and upper Lynn Canal communities, AIDEA should proceed very cautiously in their support of this project
- **AIDEA's Involvement in the Red Dog Mine** - Through their ownership of the DeLong Mountain Transportation System, AIDEA has a successful partnership with Teck Cominco and NANA Regional Corp. AIDEA justifies its \$267 million investment in Red Dog support facilities by stating "AIDEA made the investment to assist in bringing jobs to an economically depressed region of the state and to provide a multi-use port in Northwest Alaska." (AIDEA Annual Report FY03 at p. 4.) The report states that Teck Cominco is the only taxpayer in the NW Arctic Borough.

These same justifications don't work well for the Kensington project in CBJ. For example, consider the economic contributions of the Greens Creek Mine, the largest silver mine in the U.S., located on Admiralty Island within CBJ:

- The Greens Creek Mine is responsible for less than 2% of the jobs in Juneau. (USFS *Final EIS Greens Creek Tailings Disposal* (November 2003) at 4-54; JEDC *Juneau Economic Indicators April 2004*, insert in Juneau Empire (April 25, 2004))
- The Greens Creek Mine paid only 2.4% of the total property tax collected by the borough in FY02. (Pers. comm. between Schrader with SEACC and CBJ Budget Analyst Chaney, April 26, 2004)

Although the Kensington project is predicted to create 225 good paying jobs (80% of which are likely to be hired from outside of the region, per the U.S. Forest Service review) this development will not play the economically critical role in CBJ as the Red Dog mine does in the NW Arctic Borough.

*Due Schrader*  
586-6442 SEACC

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

**HOUSE COMMITTEE REPORT**

(7)

Date Referred to Committee: April 21, 2004

FURTHER REFERRALS: Final

Date of Committee Action: \_\_\_\_\_

The TRANSPORTATION Committee considered:

HB 556

HOUSE BILL NO. 556

AIDEA BONDS FOR LYNN CANAL PORT

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

Recommends it be replaced with  HCS or  CS for HB 556 TRA  
 For Senate Bills with new title:  Technical Title  New Title: HCR \_\_\_\_\_  Same Title  New

- attach amendments
- add new referral to \_\_\_\_\_ Committee
- Letter of Intent \_\_\_\_\_ Committee

List of Abbrev for Depts.:  
 ADM  
 CED  
 COR  
 CRT  
 EED  
 DEC  
 DFG  
 GOV  
 HSS  
 LEG  
 LAW  
 LWF  
 MVA  
 DNR  
 DPS  
 REV  
 DOT  
 UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
DIED				✓

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AI
<i>Beverly Masek</i>	Masek	✓		✓	
<i>Stepovich</i>	Stepovich	✓			
<i>Johning</i>	Johning				X
Chair: <i>[Signature]</i>		✓			
Chair: <i>[Signature]</i>					

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 556  
 () Publish Date: \_\_\_\_\_

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

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

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

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

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2004) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

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

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

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

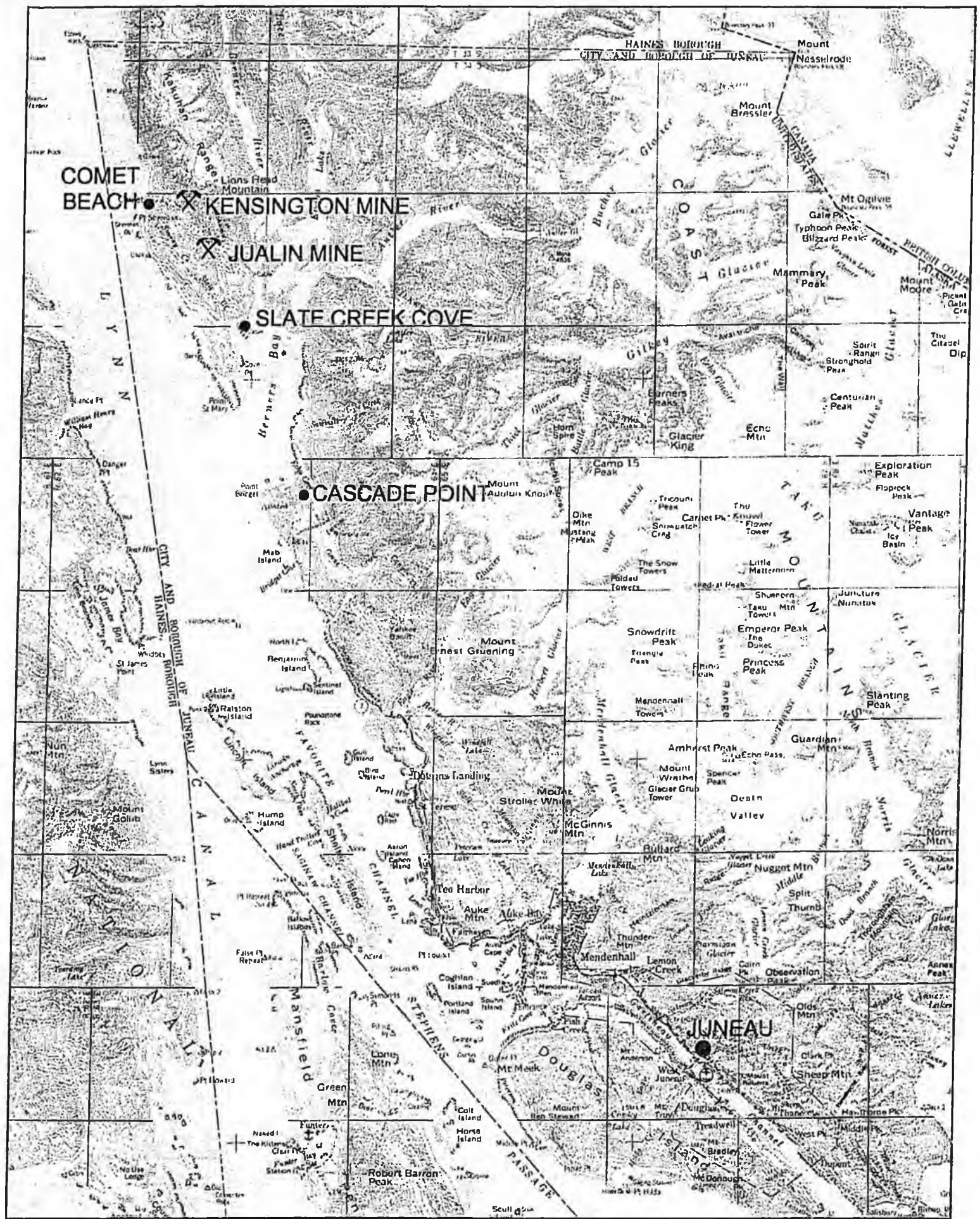
**Subject: HB 556**

**Date:** Wed, 21 Apr 2004 13:09:24 -0800

**From:** Linda Sylvester <Linda\_Sylvester@legis.state.ak.us>

**To:** Barbara\_Cotting@legis.state.ak.us

Hey Barb, we had another great idea and HB 556 came into being! Its an AIDEA bond bill for a port in Lynn Canal, in the vicinity of Echo Cove. Hmmmm... okay, its the Kensington Mine! I'm working on the sponsor statement and will get that to you asap, but can you keep this in mind for next week's committee schedule? Thanks. Linda



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

Date:	APRIL 2000
Project:	100619
File:	ROUTING.awg

## NEW PROJECT, CONTINUED FROM FRONT PAGE

schedule reducing the need for extensive storage facilities.

Coeur's new plan would significantly benefit Southeast Alaska's economy. It offers new, high-salary, year-round jobs and revenues that replace lost government, fishing, mining and timber positions. It would also help diversify a regional economy that increasingly relies upon cruiseships and tourism. Diversification would help Southeast better withstand tourism industry slumps and the possible loss of additional state and federal jobs. Alaska tourism has recently been slowing with the national economy and was particularly

hard hit by the September 11 terrorist attacks. The long-term effect of the attack is uncertain, which emphasizes the need for economic diversification.

The Kensington mine should be productive for at least 8 years, and significantly longer if more reserves are found. Production would also extend if Kensington expands into the adjacent Jualin property to access its economic reserve base.

The Kensington project would also generate at least \$9 million in tax revenue in 10 years and \$21 million in local purchases during the same period. Coeur Alaska is committed to local hire and would draw

workers from Juneau, Haines, Skagway, Hoonah, Kake and other Southeast communities.

The revised project's most important feature is economic feasibility. It is considerably less expensive to build and operate than the permitted plan, which means it is more likely to be economically sustainable through periods of fluctuating gold prices. In other words, Alaska, especially Juneau and the rest of Southeast Alaska, are more likely to enjoy Kensington's economic benefits if federal, state and local agencies approve the new plan.

## LONG TRADITION, CONTINUED FROM INSIDE

several other surrounding mines. The area was extensively developed and productively mined until financial troubles overwhelmed the company in 1905. Between 1905 and 1917 the mine operated intermittently, changing hands a few times.

At its peak in 1913, Kensington miners drove a 5,000-foot tunnel to the Johnson ore body. After 1917 the Kensington sat dormant until 1935, when the Premier Gold Mining Company sent workers to renovate and reopen the mine. The effort was abandoned after a few short years, and again the mine lay idle.

In early 1987, Coeur Alaska, Inc. (a wholly owned subsidiary of Coeur d'Alene Mines Corporation in Idaho) entered into a joint venture to purchase the Kensington Mine property. During the next seven years the Kensington Venture explored the veins deep within the mountain.

In June 1995, Coeur Alaska, Inc. acquired sole ownership of the property. The company worked closely with community and interest groups to redesign the project to revise the tailings treatment plan, eliminate water discharge into Lynn Canal, reduce stream diversions and reclamation risk and eliminate onsite cyanide use. Later that



Bart Thane, Charlie Whipple and an unidentified man stand in the Kensington mine tunnel on November 9, 1909. WINTER AND POND PHOTO, COURTESY OF ALASKA STATE LIBRARY (PCA 87-496)

year, Coeur filed new permit applications incorporating the proposed changes and the U.S. Forest Service commenced a supplemental environmental impact study.

The Forest Service approved Coeur's Kensington Supplemental Environmental Impact Study in August 1997 and other key permits were issued in 1998. By then, however, the world gold market had gone into a very sharp decline with prices falling from more than \$400 an ounce to well below \$300 an ounce between January 1996 and January 1998. The approved Kensington plan was no longer economically feasible in this depressed gold market and analysts predicted that prices were unlikely to return

to the \$400 per ounce target price anytime soon. Gold prices today remain below \$300 per ounce.

Coeur Alaska continued working on the Kensington project and developed a new plan that reduces capital and operating costs, improves safety and better preserves the environment. Regulators including the Forest Service, Army Corps of Engineers and Environmental Protection Agency, the Alaska Departments of Natural Resources, Environmental Conservation and Fish and Game and the City and Borough of Juneau are being asked to approve this revised plan to improve the project's economic viability.



# Kensington Mine Project

# UPDATE

NOVEMBER 2001

## Economically feasible, environmentally safe Kensington gold mine proposed

Coeur Alaska is advancing a revised Kensington gold mine plan that substantially reduces capital construction costs and would seek to streamline operations by partnering with Alaska businesses and Southeast Alaska Native corporations. It protects the environment and enhances reclamation by utilizing existing roads and already-developed areas and minimizing new environmental disturbances.

The revised project would store tailings in a remote, muskeg lakebed with minimal fish and wildlife impacts. It would produce a gold concentrate to be shipped off-site in sealed containers for gold recovery. Mining would take place underground and mine production facilities would not be visible from Lynn Canal or

nearby Berners Bay. The mine site and tailings storage area would be restored at the project's conclusion with zero wetland loss.

A Slate Creek Cove dock would provide safe, year-round, all-weather marine

transportation. Workers would be carried by boat between the work site and a dock at Goldbelt Corporation's Cascade Point property. Fuel and supplies would be shipped to the mine on a regular

(CONTINUED ON BACK PAGE, NEW PROJECT)

## Kensington at a glance

- The project would last at least 15 years: two years for construction and startup, eight years for gold recovery and two years for active reclamation, followed by three years of monitoring. Additional reserves are frequently found during active mining, so the mine life could be substantially longer.
- Kensington would employ about 325 workers during its peak construction period and cost about \$155 million.
- The operating mine would employ about 225 workers. It would support up to 180 additional indirect jobs.
- The project would employ 30-to-50 workers during reclamation.
- Kensington jobs would be year-round with a predicted annual payroll cost of \$16 million. Wages would be substantially higher than the average for local retail and service industry workers. Coeur Alaska is committed to local and Native hire and would train workers.
- Mine operations would entail daily commutes and traditional, two-shift work schedules set on rotation plans to accommodate families. Coeur Alaska would transport employees to and from the mine site. Busing would limit highway traffic impacts.
- Kensington would spend at least \$7.5 million for direct local purchases during construction and \$13.5 million during operations. These figures do not include indirect spending by support businesses.
- Kensington has 1.8 million ounces of gold reserves and 1.4 million ounces of additional resources.
- Mine tailings would be stored in a remote, muskeg lakebed with minimal fish and wildlife impact.
- Gold concentrate would be processed off-site. No cyanide processing would occur in Southeast Alaska.
- Coeur has spent over \$20 million to date on environmental studies and environmental management programs to ensure that the company's high standard of "producing and protecting" is met.
- Coeur Alaska is a wholly owned subsidiary of Coeur d'Alene Mines Corporation. Coeur is North America's leading primary silver producer and a significant gold producer. It is recognized for its environmental stewardship and has received 19 national and international environmental awards during the past decade.



Aerial view looking east toward Comet Beach, Lion's Head Mountain and the Kensington project area. COEUR ALASKA PHOTO

## Good economics spread the wealth

The revised Kensington plan is economically superior to the permitted plan because it would substantially reduce capital and operating costs and spread mine revenue across the state. It calls for Coeur Alaska to partner with Alaska companies and Southeast Alaska Native corporations to fill such needs as transportation, support services and solid waste management. Partnering would reduce Coeur's capital expenses and improve operational efficiency.

The new plan would shrink the mine's footprint and associated maintenance and reclamation costs. Its all-weather dock facility would provide safe and reliable transportation and reduce operating costs. It would minimize on-site inventory and storage expenses and productivity lost to bad weather.

Most important for Southeast Alaskans, the revised Kensington plan is closer to being economically feasible in today's depressed gold market. The original

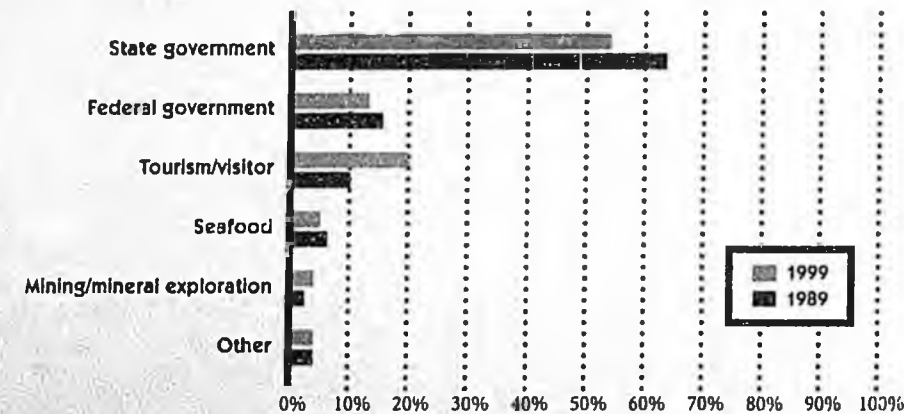
Kensington plan is not economically sustainable because it presumed gold prices would remain above \$400 per ounce. The revised plan could be implemented if its permits are approved and gold prices sustain an upward trend. Current gold prices are less than \$300 per ounce.

Developing the Kensington mine would add desperately needed diversity to Southeast Alaska's economy. Studies show Southeast Alaska increasingly relies upon tourism for its economic base as government employment, fishing, logging and mining shrink. This narrow economic focus makes the region especially vulnerable to downturns in tourism and continued reductions in state government.

The Kensington mine could broaden the region's economic base. Projections show that the mine would generate more than 225 high-salary, year-round jobs for local workers, \$21 million in direct local purchases and \$9 million in direct tax revenue during the next decade.

### JUNEAU'S EMPLOYMENT SHIFTS, ECONOMY DECLINES

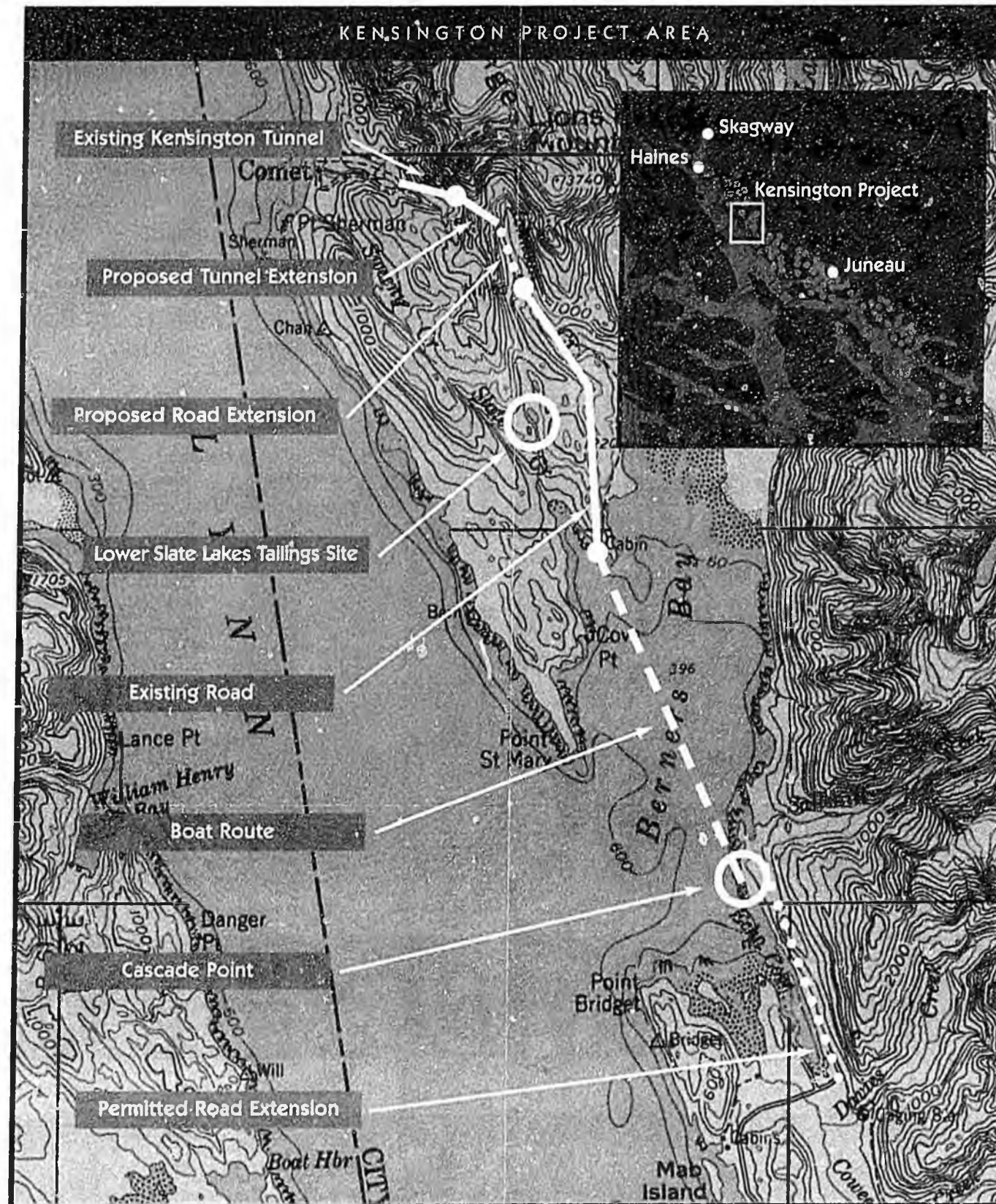
#### 1999 vs. 1989 Juneau Employment



Most of Juneau's job growth during the 1990s was from relatively low-paying service-industry and tourism jobs that do not have significant benefit packages. Economic figures show the economy in Juneau and the rest of Southeast Alaska is in decline, with Juneau's average real wages dropping 10 percent while they increased 12 percent in the rest of the United States.

At the same time, Juneau's cost of living remains about 20-25 percent higher than the national average and it lags behind the rest of the country in manufacturing and other important, non-public sector industries. Juneau is losing its government jobs, dropping from 41.8 percent of employment in 1990 to 33.2 percent in 1999. The majority of Juneau-area mining employment today is at Greens Creek mine.

SOURCE: JUNEAU ECONOMIC DEVELOPMENT COUNCIL IN COLLABORATION WITH THE McDOWELL GROUP, OCTOBER 2001



Workers would commute from Juneau to the Kensington mine by bus and boat. Inset: The 100-mile-long Juneau Gold Belt is dotted with dozens of known gold deposits. Forty-six hard-rock mines extracted some 7 million ounces of gold from the gold-belt before the last mine closed in 1944.

## Kensington mine has long tradition

The Kensington Gold Project is located 45 miles north of Juneau, at the northern tip of the famous Juneau Gold Belt. Joe Juneau and Richard Harris discovered large quantities of gold in the region in 1880. They recorded a 160-acre town site that became Juneau to support their discoveries. Some 46 hard-rock gold mines in the 100-mile-long Gold Belt pro-

duced 7 million ounces of gold before the last mine closed in 1944.

Prospectors first discovered gold in the area around Lions Head Mountain and the Kensington Mine in 1886. Five years later the Berners Bay Mining and Milling Company was formed and purchased Kensington and

(CONTINUED ON BACK PAGE, LONG TRADITION)

## New Kensington plan preserves environment

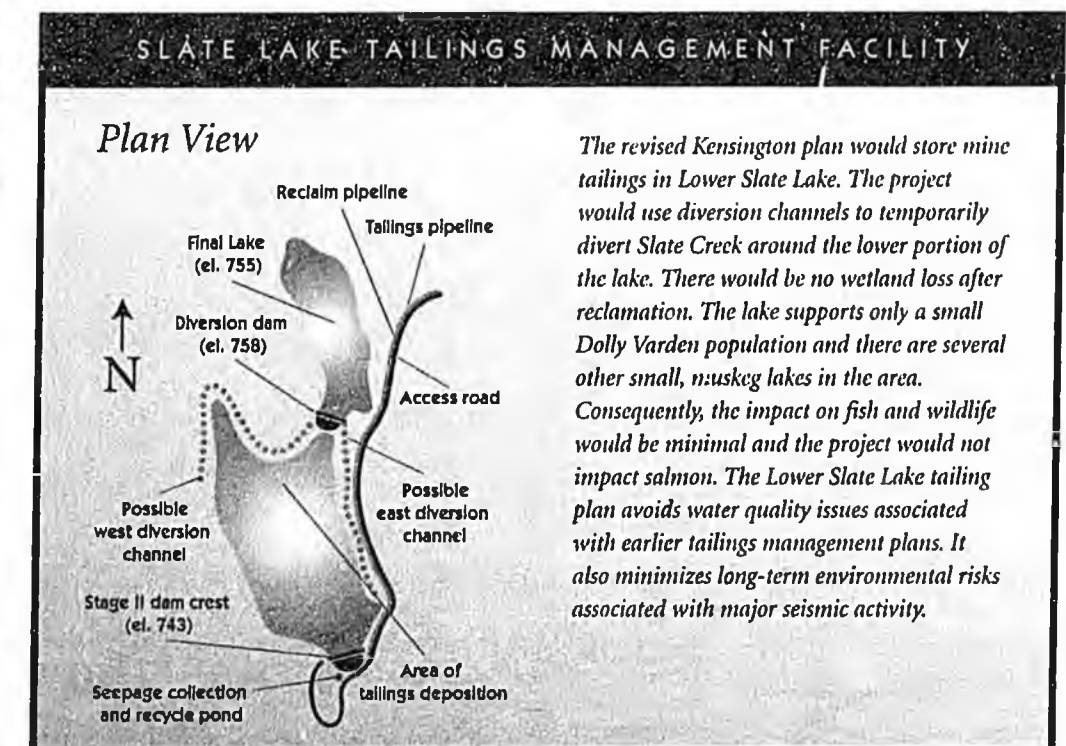
Environmental regulators last permitted the Kensington gold project in 1998. That project is not economically feasible in today's gold market. Consequently, Coeur Alaska redesigned the project to reduce costs, mitigate operating risk, enhance safety, and significantly decrease its environmental impact. The revised project would:

- Ship gold concentrate off-site in sealed containers for treatment and gold recovery. No cyanide processing would occur in Southeast Alaska.
- Store mine tailings in Lower Slate Lake. Water flow into this remote, muskeg lake would temporarily be diverted.
- Improve water quality and reclamation. The mine site would be restored during the project's reclamation phase. There would be no loss of wetlands and minimal impact on fish and wildlife. No salmon would be affected.
- Use a Slate Creek Cove dock to give boats and barges all-weather access to the mine site. This would improve worker transport, safety of fuel and

cargo handling and minimize on-site storage requirements.

- Significantly reduce helicopter traffic to and from mine site.
- Minimize potential conflicts with fisheries and other user groups.
- Minimize long-term environmental risks associated with major seismic activity.
- Impact 25 percent less land than the permitted project. The revised plan would minimize Kensington's footprint and surface disturbance by using existing roads and placing surface structures on privately owned land that has been associated with mining since the late 1800s. The project would be virtually invisible from water level.

**Action Required:** Regulators, including the U.S. Forest Service, U.S. Army Corps of Engineers and Environmental Protection Agency, must permit the revised plan before the new Kensington mine project may proceed. Other state and local approvals will also be required.



The revised Kensington plan would store mine tailings in Lower Slate Lake. The project would use diversion channels to temporarily divert Slate Creek around the lower portion of the lake. There would be no wetland loss after reclamation. The lake supports only a small Dolly Varden population and there are several other small, muskeg lakes in the area. Consequently, the impact on fish and wildlife would be minimal and the project would not impact salmon. The Lower Slate Lake tailing plan avoids water quality issues associated with earlier tailings management plans. It also minimizes long-term environmental risks associated with major seismic activity.

# ALASKA STATE LEGISLATURE

**Representative Bruce Weyhrauch**

HOUSE DISTRICT 4

ALASKA  
STATE CAPITOL  
JUNEAU, ALASKA  
99801-1182

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

**State Affairs Committee**

Rep. Bruce Weyhrauch, Chair

**HB 556**

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

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

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

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

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

Contact: Linda Sylvester  
465-3744

Released: April 22, 2004



# KENSINGTON GOLD PROJECT

## **Project Summary and Overview of Partnership Opportunities**

**April 2004**





# KENSINGTON

## GOLD PROJECT

## Project Overview

### Summary

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

### Significant Employment Impact in SE Alaska

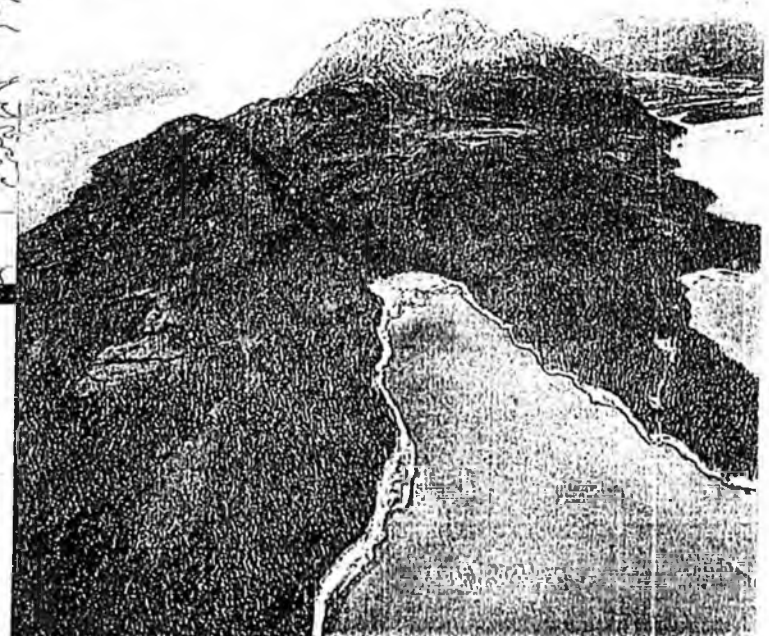
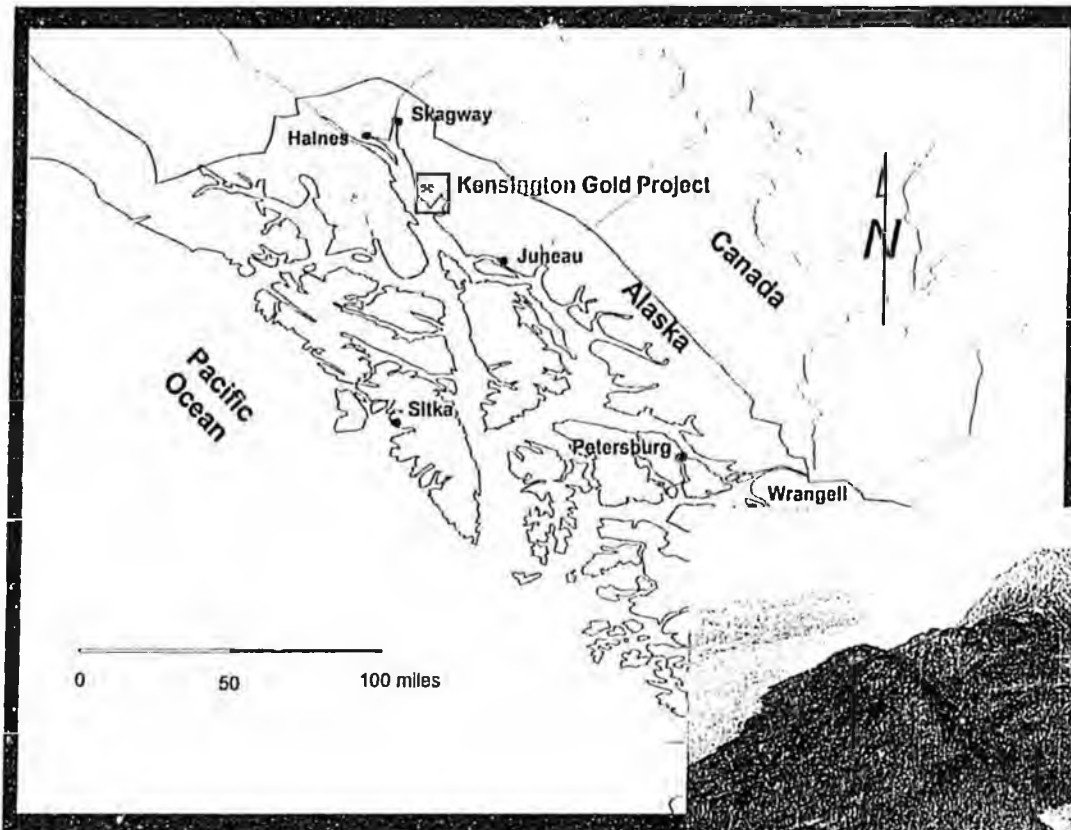
- 250-300 well-paying construction jobs over 18 month construction window
- 110-225 well-paying operating jobs over 10-20 year expected mine life
- Nearly 500 jobs expected to be created beyond direct mine employment (transportation, supplies, services)





# KENSINGTON GOLD PROJECT

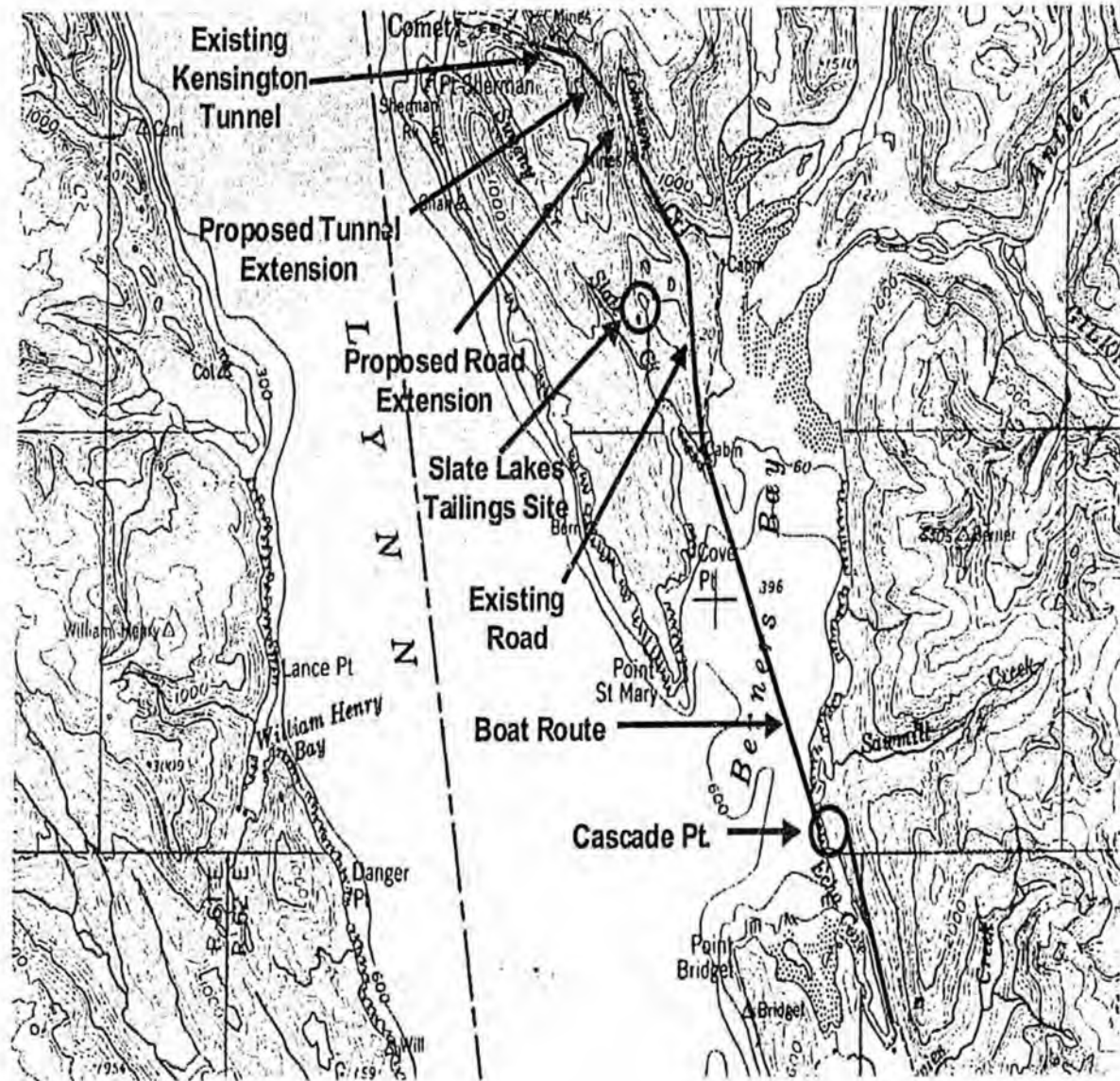
## Location





# KENSINGTON GOLD PROJECT

## Layout of Mine and Facilities





# KENSINGTON

## GOLD PROJECT

### Summary of Potential Partnership Opportunities

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





# KENSINGTON

## GOLD PROJECT

### Summary of Potential Partnership Opportunities

## Training of Workforce





# KENSINGTON

## GOLD PROJECT

## Training of Workforce

### Description

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

### Request

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

### Contact

Gary W. Banbury

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

Coeur d'Alene Mines Corporation

(800) 624-2824

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





# KENSINGTON GOLD PROJECT

## Summary of Potential Partnership Opportunities

### Bus Transportation for Employees





# KENSINGTON

## GOLD PROJECT

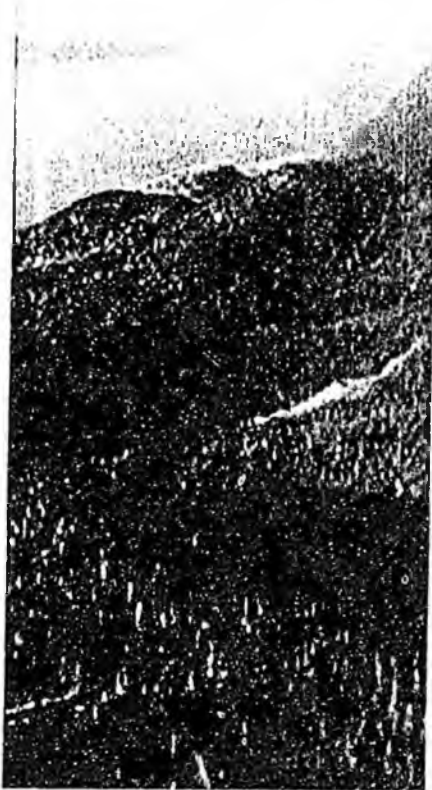
### Bus Transportation for Workers

#### Description

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

#### Request

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





# KENSINGTON GOLD PROJECT

## Summary of Potential Partnership Opportunities

### Cascade Point Dock Facilities





# KENSINGTON

## GOLD PROJECT

### Cascade Point Dock Facilities

#### Description

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

#### Cost of Facilities

- \$2,900,000

#### Request

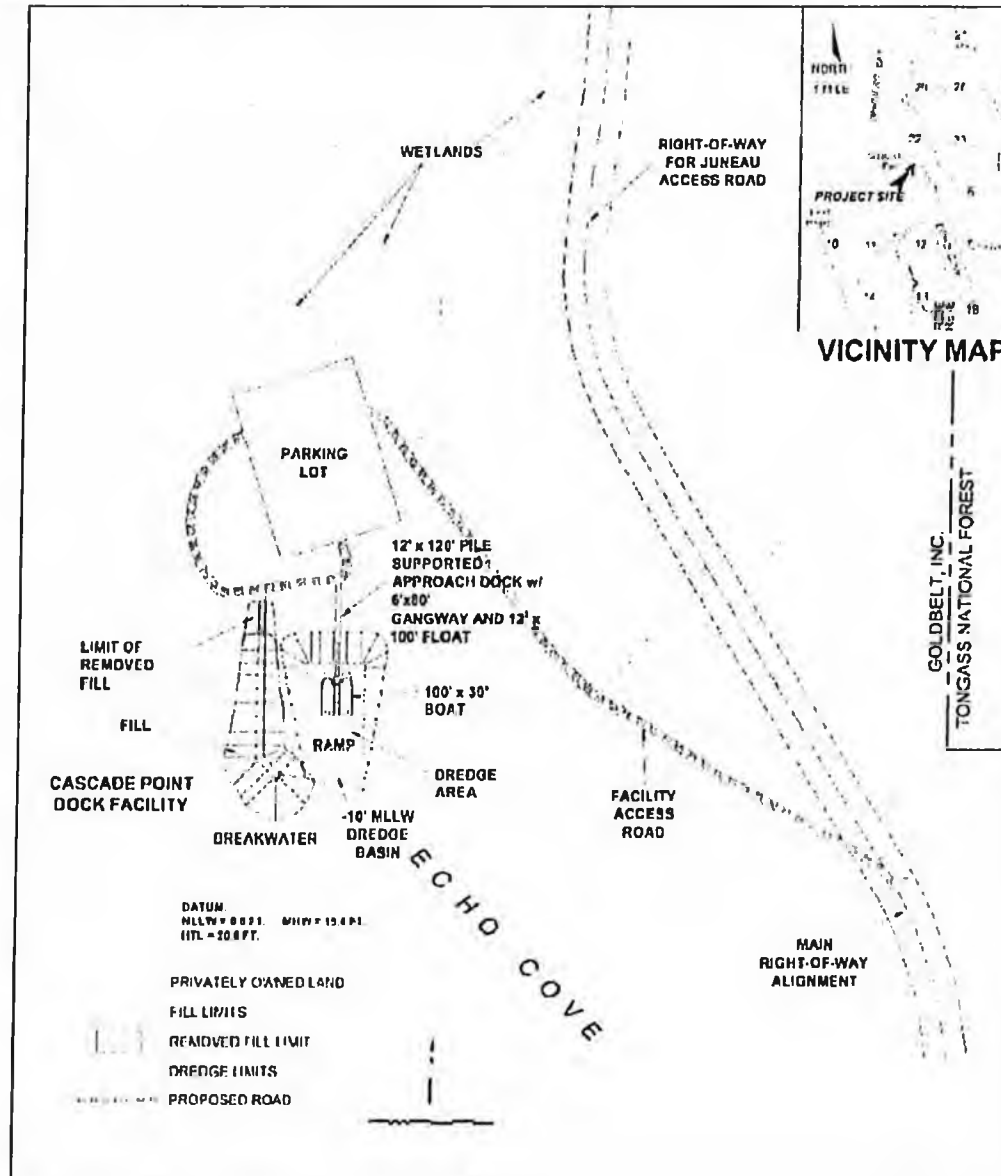
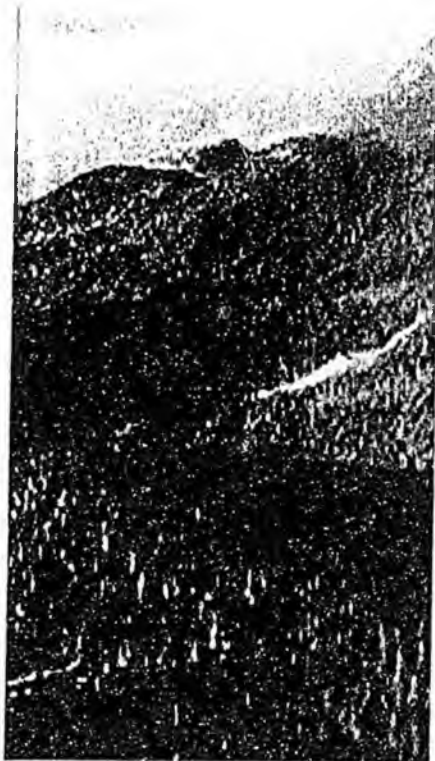
- Grants or financing to fund the construction and operation of this facility
- Outsource ownership and operation of facility to a third party





# KENSINGTON GOLD PROJECT

## Cascade Point Dock Facilities





# KENSINGTON

## GOLD PROJECT

### **Summary of Potential Partnership Opportunities**

### **Passenger Ferry Service Across Berners Bay**





# KENSINGTON

## GOLD PROJECT

### Passenger Ferry Service

#### Description

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

#### Cost

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

#### Request

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

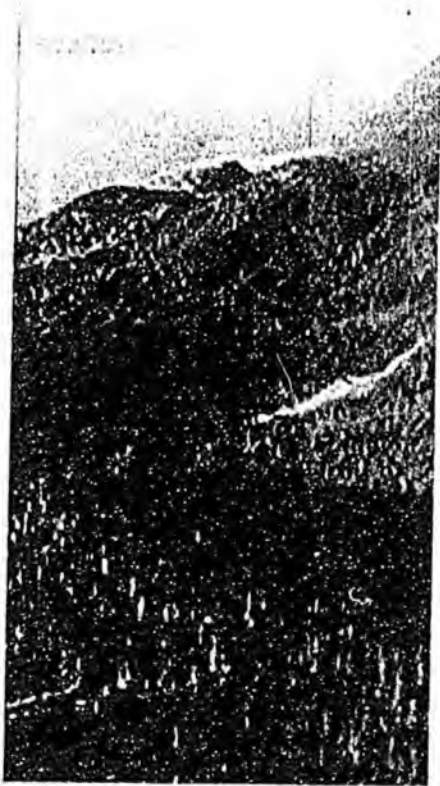




# KENSINGTON GOLD PROJECT

## Summary of Potential Partnership Opportunities

### Slate Creek Cove Dock Facilities





# KENSINGTON

## GOLD PROJECT

### Slate Creek Cove Dock Facilities

#### Description

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

#### Cost

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

#### Request

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

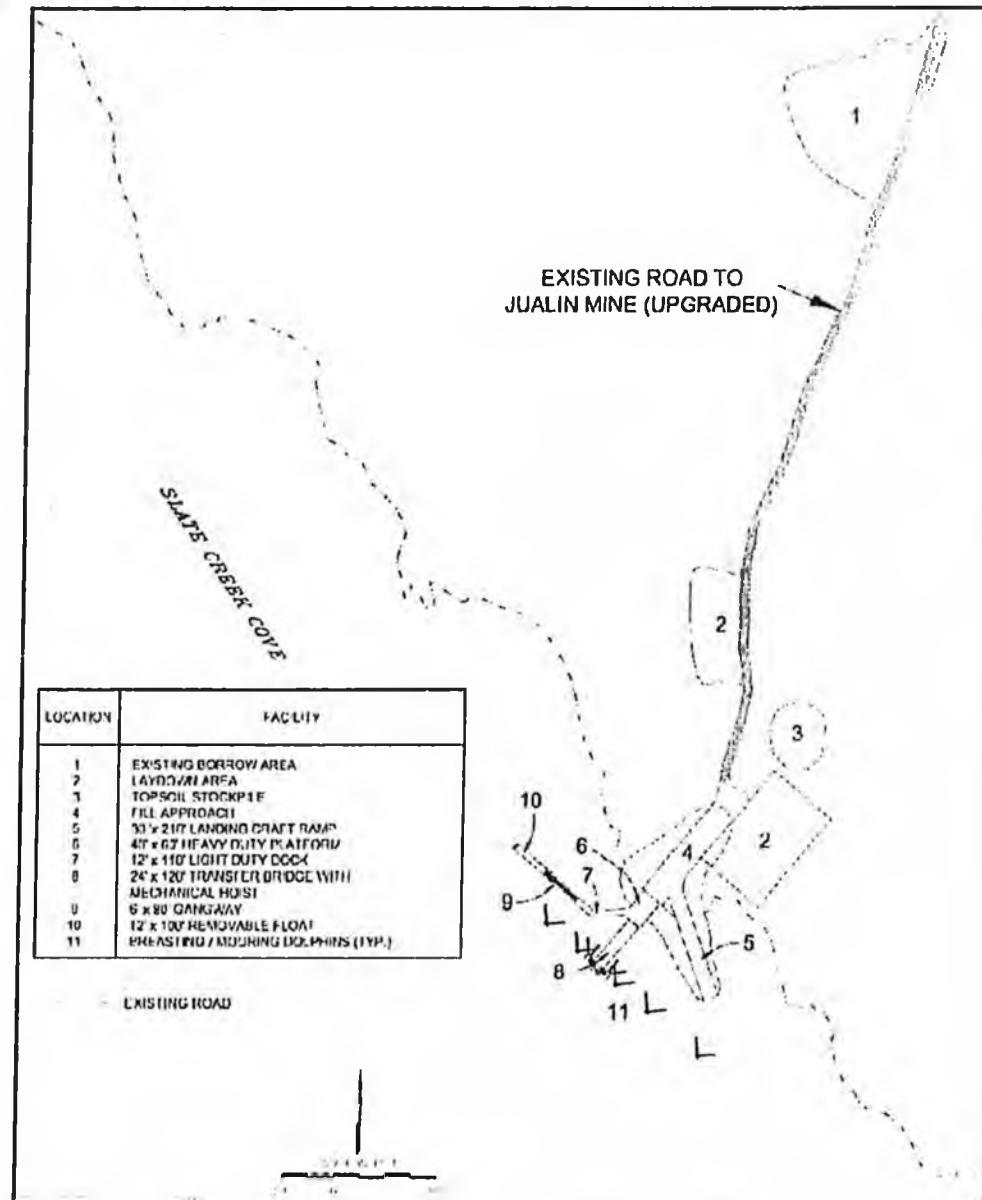




# KENSINGTON

## GOLD PROJECT

### Slate Creek Cove Dock Facilities





# KENSINGTON GOLD PROJECT

## Summary of Potential Partnership Opportunities

### Slate Creek Road





# KENSINGTON

## GOLD PROJECT

### Slate Creek Road

#### Description

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

#### Cost

- Road: \$2,028,000

#### Request

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

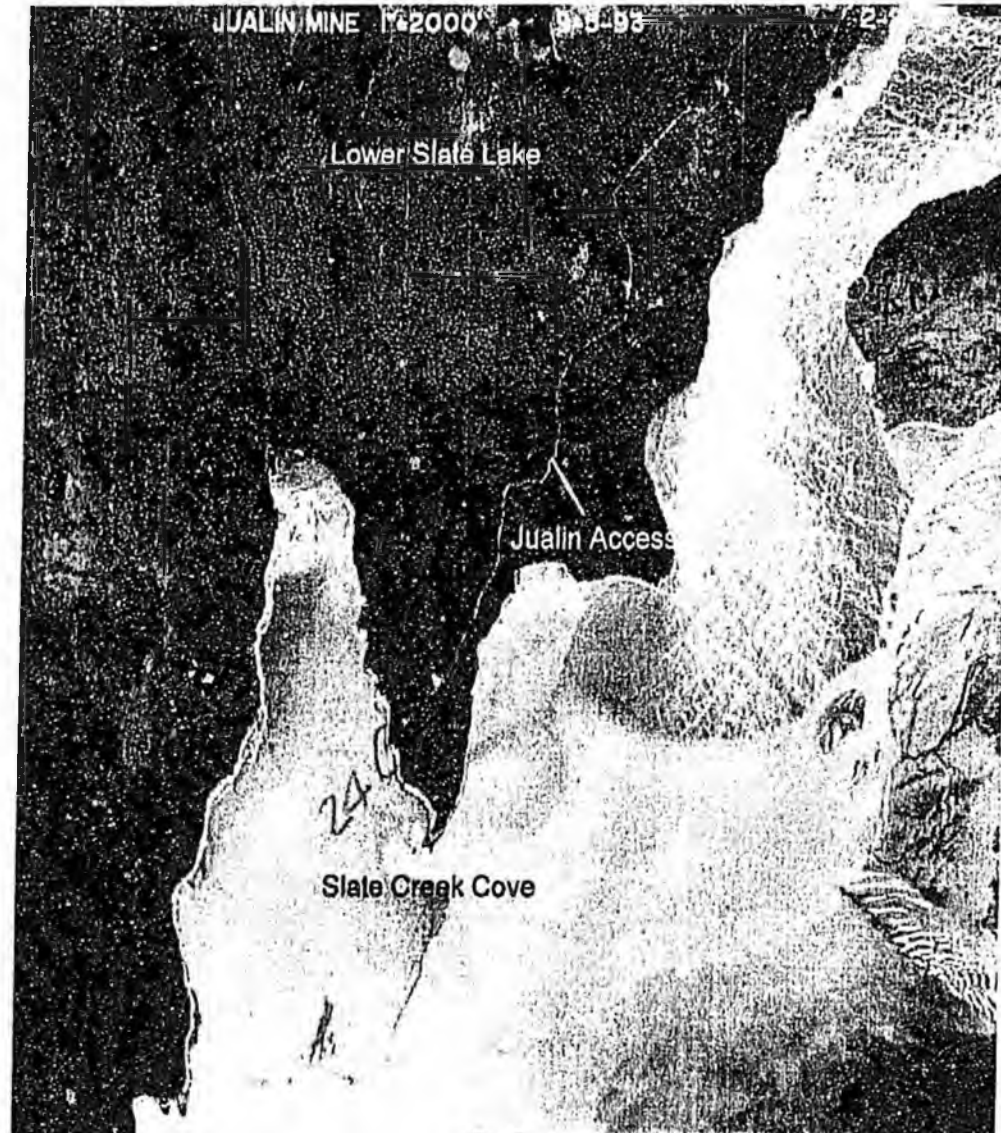




# KENSINGTON

## GOLD PROJECT

Slate Creek Road





# KENSINGTON GOLD PROJECT

## Summary of Potential Partnership Opportunities

### On-Site Power Plant





# KENSINGTON

## GOLD PROJECT

### On-Site Power Plant

#### Description

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

#### Cost

- \$6,100,000

#### Request

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





# KENSINGTON GOLD PROJECT

## Summary of Potential Partnership Opportunities

### Tunnel Connecting Jualin and Kensington





# KENSINGTON

## GOLD PROJECT

### Tunnel

#### Description

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

#### Cost

- \$5,363,000

#### Request

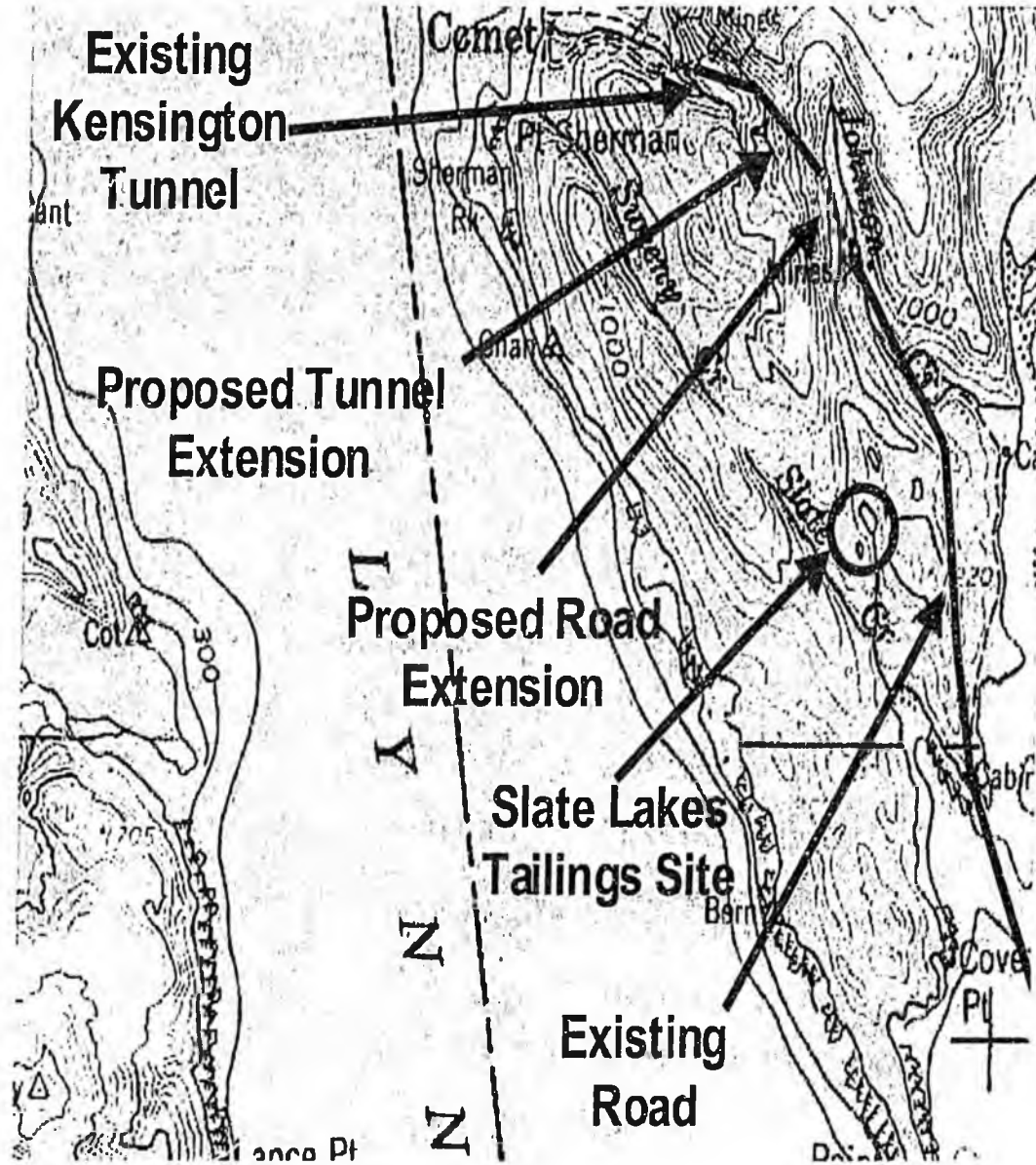
- Grant money or alternative financing to fund the development of this underground road to the ore body





# KENSINGTON GOLD PROJECT

## Tunnel





# KENSINGTON GOLD PROJECT

## Summary of Potential Partnership Opportunities

### Tailings Management Facility





# KENSINGTON

## GOLD PROJECT

### Tailings Management Facility

#### Description

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

#### Cost

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

#### Request

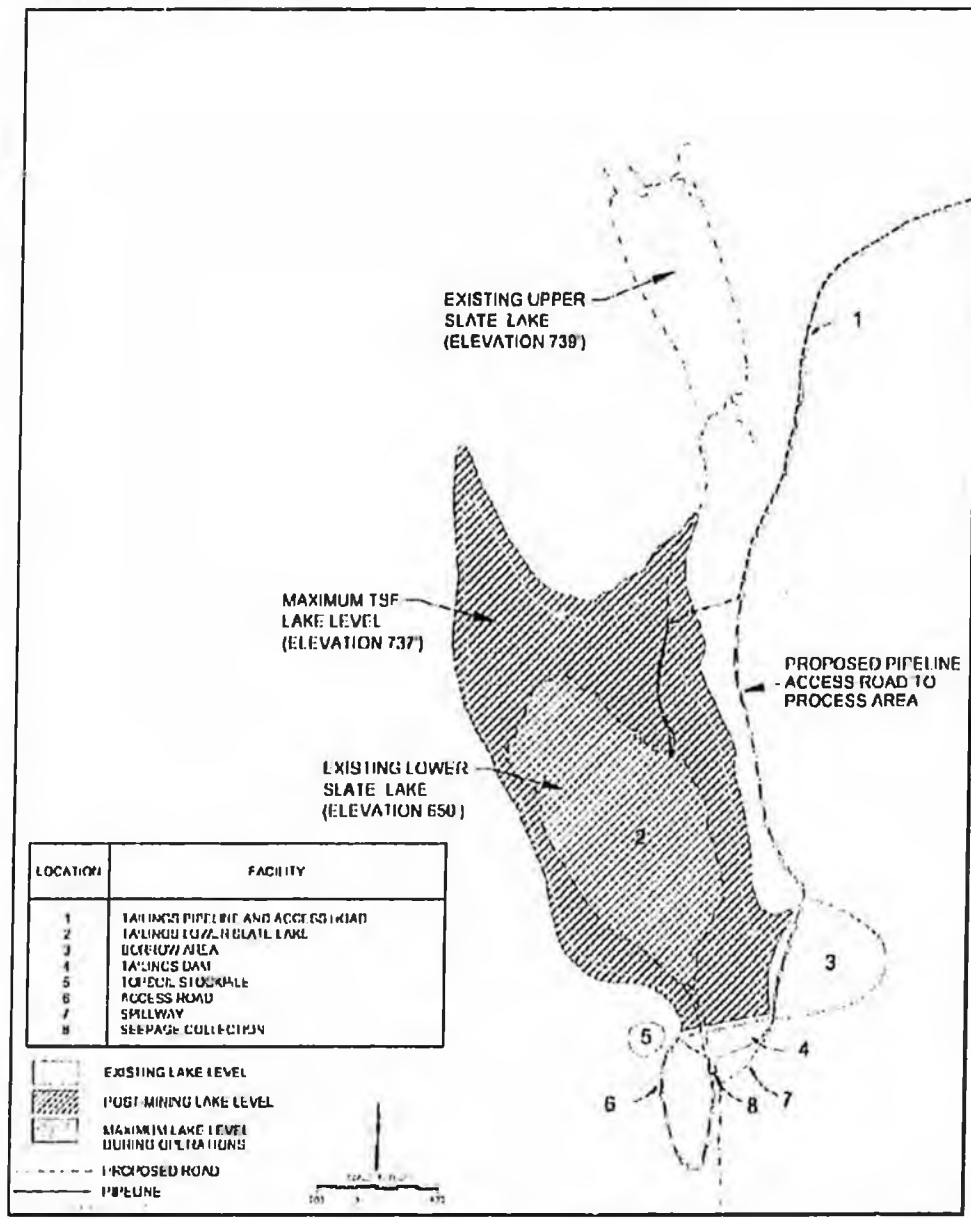
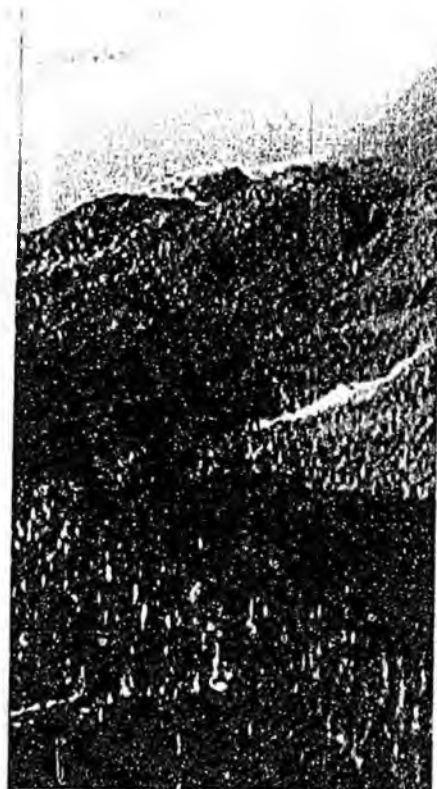
- Grant money or alternative financing to fund the development and operation of this facility
- Outsourcing this component of the project to a third party to own and operate in exchange for a user fee





# KENSINGTON GOLD PROJECT

## Tailings Management Facility

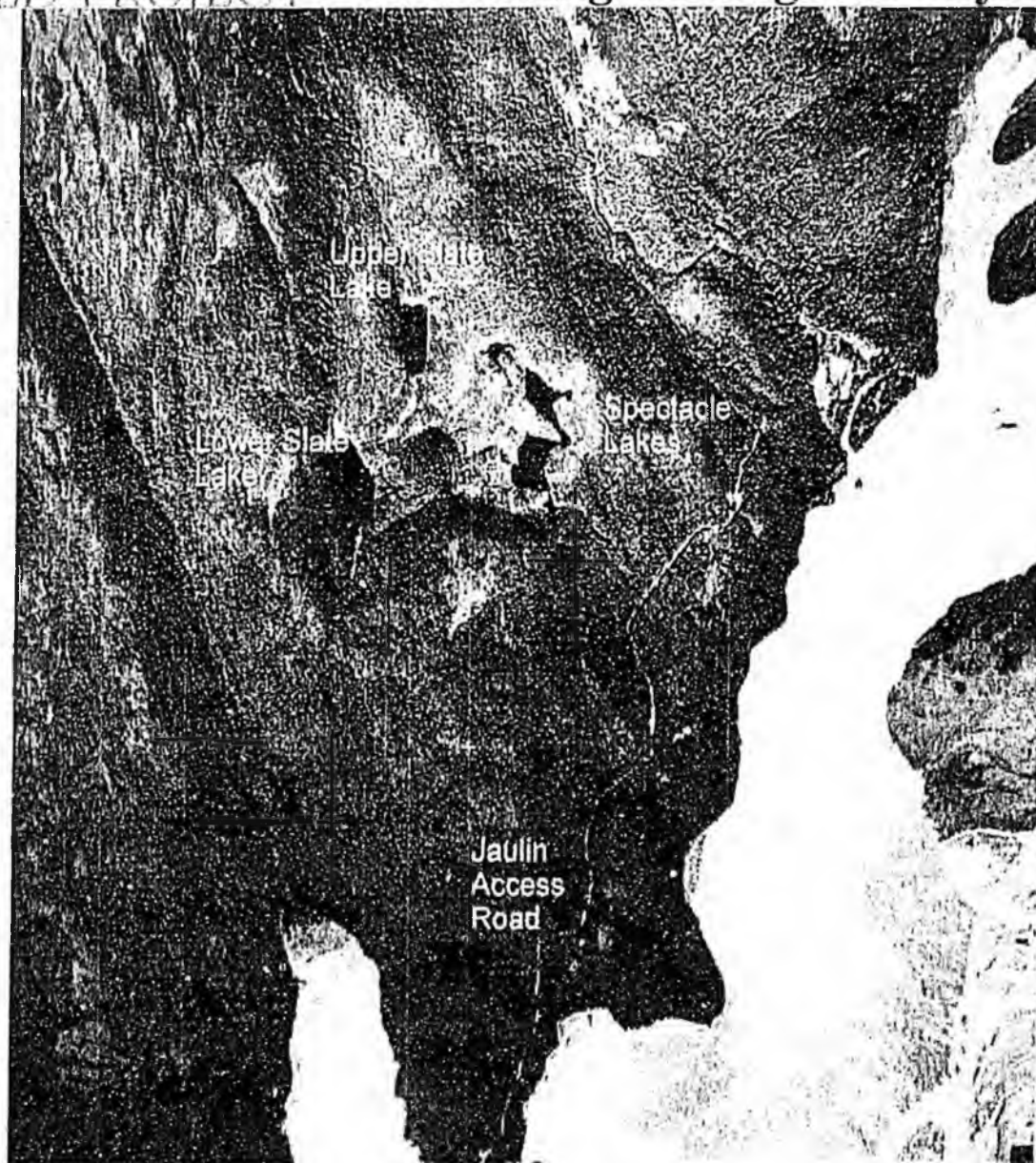




# KENSINGTON

GOLD PROJECT

## Tailings Management System





# KENSINGTON

## GOLD PROJECT

### Summary of Potential Partnership Opportunities

### For Additional Information, Please Contact:

**Jim Arnold**

**Vice President of New Projects & Technical Services**

**(800) 624-2824**

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

**Mitchell Krebs**

**Vice President of Corporate Development**

**(773) 388-2902**

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

**Tim Arnold**

**Vice President & General Manager of Kensington**

**(907) 789-1591**

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






# Kensington Mine Project

NOVEMBER 2001

## Economically feasible, environmentally safe Kensington gold mine proposed

 Coeur Alaska is advancing a revised Kensington gold mine plan that substantially reduces capital construction costs and would seek to streamline operations by partnering with Alaska businesses and Southeast Alaska Native corporations. It protects the environment and enhances reclamation by utilizing existing roads and already-developed areas and minimizing new environmental disturbances.

The revised project would store tailings in a remote, muskeg lakebed with minimal fish and wildlife impacts. It would produce a gold concentrate to be shipped off-site in sealed containers for gold recovery. Mining would take place underground and mine production facilities would not be visible from Lynn Canal or

nearby Bemers Bay. The mine site and tailings storage area would be restored at the project's conclusion with zero wet-land loss.

A Slate Creek Cove dock would provide safe, year-round, all-weather marine

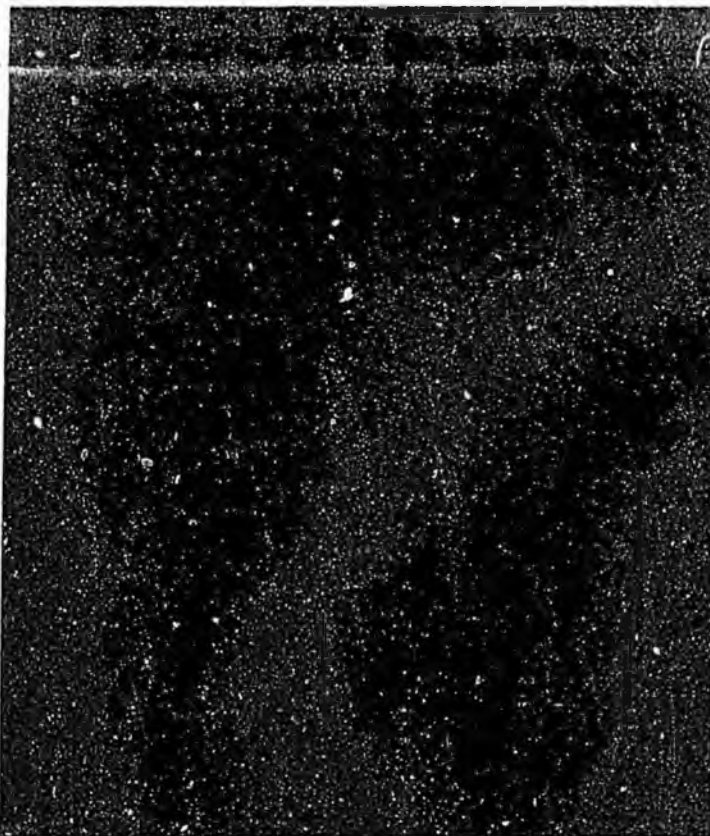
transportation. Workers would be carried by boat between the work site and a dock at Goldbelt Corporation's Cascade Point property. Fuel and supplies would be shipped to the mine on a regular

(CONTINUED ON BACK PAGE, NEW PROJECT)



Aerial view looking east toward Comet Beach, Lion's Head Mountain and the Kensington project area.

COEUR ALASKA PHOTO



## Good economics spread the wealth

**T**he revised Kensington plan is economically superior to the permitted plan because it would substantially reduce capital and operating costs and spread mine revenue across the state. It calls for Coeur Alaska to partner with Alaska companies and Southeast Alaska Native corporations to fill such needs as transportation, support services and solid waste management. Partnering would reduce Coeur's capital expenses and improve operational efficiency.

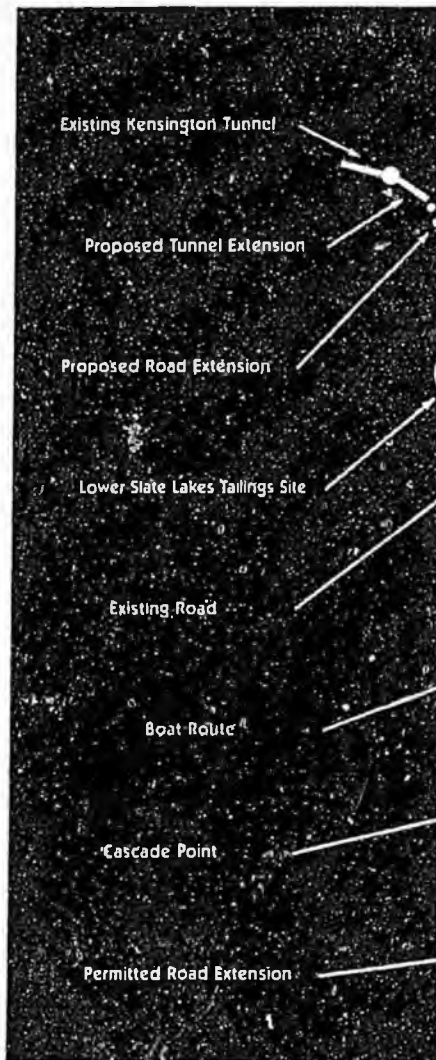
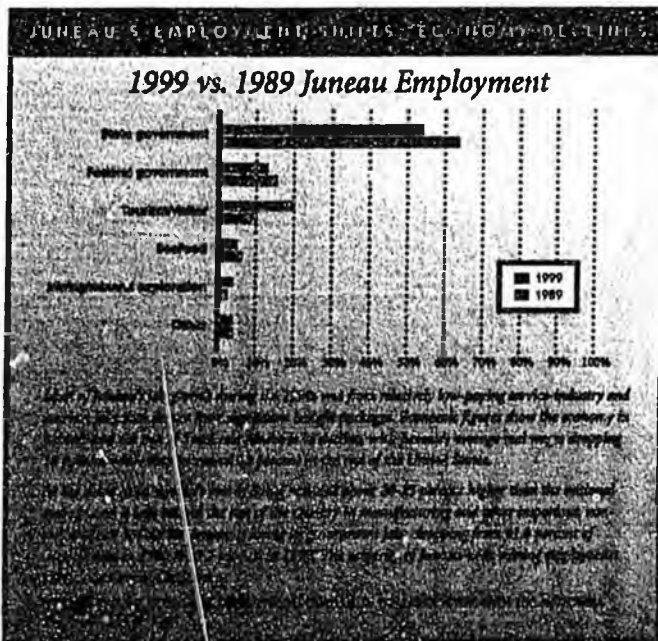
The new plan would shrink the mine's footprint and associated maintenance and reclamation costs. Its all-weather dock facility would provide safe and reliable transportation and reduce operating costs. It would minimize on-site inventory and storage expenses and productivity lost to bad weather.

Most important for Southeast Alaskans, the revised Kensington plan is closer to being economically feasible in today's depressed gold market. The original

Kensington plan is not economically sustainable because it presumed gold prices would remain above \$400 per ounce. The revised plan could be implemented if its permits are approved and gold prices sustain an upward trend. Current gold prices are less than \$300 per ounce.

Developing the Kensington mine would add desperately needed diversity to Southeast Alaska's economy. Studies show Southeast Alaska increasingly relies upon tourism for its economic base as government employment, fishing, logging and mining shrink. This narrow economic focus makes the region especially vulnerable to downturns in tourism and continued reductions in state government.

The Kensington mine could broaden the region's economic base. Projections show that the mine would generate more than 225 high-salary, year-round jobs for local workers, \$21 million in direct local purchases and \$9 million in direct tax revenue during the next decade.



Workers would commute from Juneau to the Kensington mine by bus on a route of known gold deposits. Forty-six hard-rock mines extracted some 7 million ounces of gold in the region.

## Kensington mine

**T**he Kensington Gold Project is located 45 miles north of Juneau, at the northern tip of the famous Juneau Gold Belt. Joe Juneau and Richard Harris discovered large quantities of gold in the region in 1880. They recorded a 160-acre town site that became Juneau to support their discoveries. Some 46 hard-rock gold mines in the 100-mile-long Gold Belt pro-



as. Insert: The 100-mile-long Juneau Gold Belt is dotted with dozens ounces of gold from the gold-belt before the last mine closed in 1944.

## as long tradition

duced 7 million ounces of gold before the last mine closed in 1944.

rospectors first discovered gold in the area around ions Head Mountain and the Kensington Mine in 1886. five years later the Berners Bay Mining and Milling Company was formed and purchased Kensington and

CONTINUED ON BACK PAGE, LONG TRADITION)

## New Kensington plan preserves environment

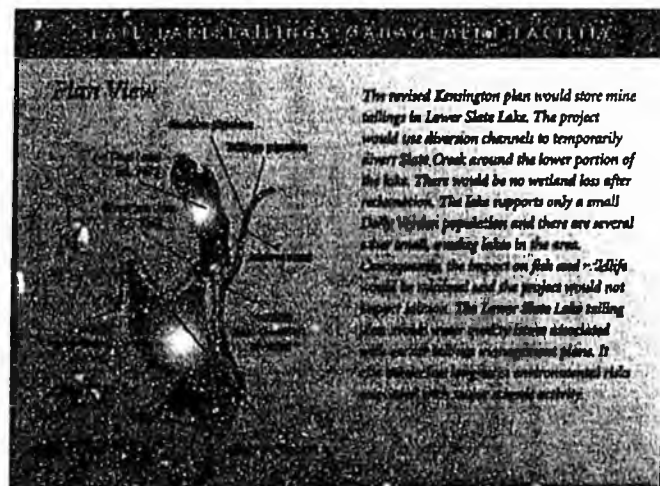
Environmental regulators last permitted the Kensington gold project in 1998. That project is not economically feasible in today's gold market. Consequently, Coeur Alaska redesigned the project to reduce costs, mitigate operating risk, enhance safety, and significantly decrease its environmental impact. The revised project would:

- Ship gold concentrate off-site in sealed containers for treatment and gold recovery. No cyanide processing would occur in Southeast Alaska.
- Store mine tailings in Lower Slate Lake. Water flow into this remote, muskeg lake would temporarily be diverted.
- Improve water quality and reclamation. The mine site would be restored during the project's reclamation phase. There would be no loss of wetlands and minimal impact on fish and wildlife. No salmon would be affected.
- Use a Slate Creek Cove dock to give boats and barges all-weather access to the mine site. This would improve worker transport, safety of fuel and

cargo handling and minimize on-site storage requirements.

- Significantly reduce helicopter traffic to and from mine site.
- Minimize potential conflicts with fisheries and other user groups.
- Minimize long-term environmental risks associated with major seismic activity.
- Impact 95 percent less land than the permitted project. The revised plan would minimize Kensington's footprint and surface disturbance by using existing roads and placing surface structures on privately owned land that has been associated with mining since the late 1800s. The project would be virtually invisible from water level.

**Action Required:** Regulators, including the U.S. Forest Service, U.S. Army Corps of Engineers and Environmental Protection Agency, must permit the revised plan before the new Kensington mine project may proceed. Other state and local approvals will also be required.



## NEW PROJECT, CONTINUED FROM FRONT PAGE

schedule reducing the need for extensive storage facilities.

Coeur's new plan would significantly benefit Southeast Alaska's economy. It offers new, high-salary, year-round jobs and revenues that replace lost government, fishing, mining and timber positions. It would also help diversify a regional economy that increasingly relies upon cruiseships and tourism. Diversification would help Southeast better withstand tourism industry slumps and the possible loss of additional state and federal jobs. Alaska tourism has recently been slowing with the national economy and was particularly

hard hit by the September 11 terrorist attacks. The long-term effect of the attack is uncertain, which emphasizes the need for economic diversification.

The Kensington mine should be productive for at least 8 years, and significantly longer if more reserves are found. Production would also extend if Kensington expands into the adjacent Jualin property to access its economic reserve base.

The Kensington project would also generate at least \$9 million in tax revenue in 10 years and \$21 million in local purchases during the same period. Coeur Alaska is committed to local hire and would draw

workers from Juneau, Haines, Skagway, Hoonah, Kake and other Southeast communities.

The revised project's most important feature is economic feasibility. It is considerably less expensive to build and operate than the permitted plan, which means it is more likely to be economically sustainable through periods of fluctuating gold prices. In other words, Alaska, especially Juneau and the rest of Southeast Alaska, are more likely to enjoy Kensington's economic benefits if federal, state and local agencies approve the new plan.

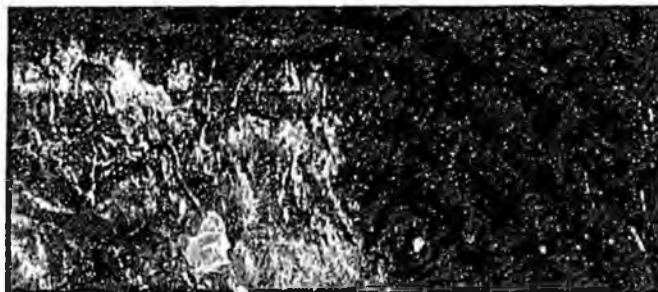
## LONG TRADITION, CONTINUED FROM INSIDE

several other surrounding mines. The area was extensively developed and productively mined until financial troubles overwhelmed the company in 1905. Between 1905 and 1917 the mine operated intermittently, changing hands a few times.

At its peak in 1913, Kensington miners drove a 5,000-foot tunnel to the Johnson ore body. After 1917 the Kensington set dormant until 1935, when the Premier Gold Mining Company sent workers to renovate and reopen the mine. The effort was abandoned after a few short years, and again the mine lay idle.

In early 1987, Coeur Alaska, Inc. (a wholly owned subsidiary of Coeur d'Alene Mines Corporation in Idaho) entered into a joint venture to purchase the Kensington Mine property. During the next seven years the Kensington Venture explored the veins deep within the mountain.

In June 1995, Coeur Alaska, Inc. acquired sole ownership of the property. The company worked closely with community and interest groups to redesign the project to revise the tailings treatment plan, eliminate water discharge into Lynn Canal, reduce stream diversions and reclamation risk and eliminate onsite cyanide use. Later that



Bart Thane, Charlie Whipple and an unidentified man stand in the Kensington mine tunnel on November 9, 1909. WINTER AND POND PHOTO, COURTESY OF ALASKA STATE LIBRARY (PCA 07-496)

year, Coeur filed new permit applications incorporating the proposed changes and the U.S. Forest Service commenced a supplemental environmental impact study.

The Forest Service approved Coeur's Kensington Supplemental Environmental Impact Study in August 1997 and other key permits were issued in 1998. By then, however, the world gold market had gone into a very sharp decline with prices falling from more than \$400 an ounce to well below \$300 an ounce between January 1996 and January 1998. The approved Kensington plan was no longer economically feasible in this depressed gold market and analysts predicted that prices were unlikely to return

to the \$400 per ounce target price anytime soon. Gold prices today remain below \$300 per ounce.

Coeur Alaska continued working on the Kensington project and developed a new plan that reduces capital and operating costs, improves safety and better preserves the environment. Regulators including the Forest Service, Army Corps of Engineers and Environmental Protection Agency, the Alaska Departments of Natural Resources, Environmental Conservation and Fish and Game and the City and Borough of Juneau are being asked to approve this revised plan to improve the project's economic viability.

HB

560



**House Transportation Committee**  
State Capitol, Room 17  
465-4858



**Rep Jim Holm, Chair**

*Members:*

*Rep Mary Kapsner, Vic Kohring, Rep Albert Kookesh, Rep Bev Masek, Rep Dan Ogg, Rep Nick Stepovich*

---

Sponsor Statement

HB 560

House Bill 560 contains two provisions relating to the Alaska Railroad Corporation and its role as a State transportation and economic development agent.

HB 560 authorizes the Railroad to issue up to \$500 million in tax-free revenue bonds to pay for extending a rail line to Delta Junction and Ft. Greely. The proposal would have the bonds secured through federal funds from the Department of Defense. Depending upon negotiations with the Department, the Railroad could issue the bonds as early as 2005.

The new main line would extend from Moose Creek near the City of North Pole to Fort Greely, approximately 80 miles. A line extension could efficiently provide transportation services for military training support, freight, and commuter service between Fairbanks and the Ft. Greely missile site.

In addition, HB 560 addresses a recent Alaska Supreme Court decision that has called into question the Railroad's exemption from local planning and zoning ordinances provided in AS 42.40. The decision jeopardizes a mode of operation that has been in place since the Railroad was transferred to the State 18 years ago.

So that legislative intent can be clarified in law, this bill creates a task force to provide recommendations to the legislature in 2005 on whether and to what extent municipal planning, platting and land use regulations should apply to interests in land owned by the Alaska Railroad. The task force will be comprised of one senator, one house member, a member from each railbelt municipality, and a railroad representative. Members will be appointed by the president of the senate and speaker of the house of representatives. The task force will be required to submit a written report of its findings and recommendations on or before the first day of the First Regular Session of the Twenty-Fourth Alaska State Legislature.

The Alaska Railroad Corporation is both an interstate common carrier and an instrumentality of the State of Alaska. Its statutory mission is to provide transportation services to residents, businesses, visitors and military installations in the State, and foster and promote long term economic growth and development, particularly of the State's land and natural resources. The Railroad's ability to operate safely, efficiently and effectively is due in great part to the singular nature of its corridor ROW. The Railroad's current track alignment passes through 13 recognized municipal (city and borough) governments between Seward and North Pole. It is important to protect the Railroad's ability to use its

lands for operational purposes in service to the broader state interest without facing different, and potentially conflicting, planning and zoning scenarios among so many municipalities.

Without this protection, local communities could separately dictate planning and zoning restrictions that would negatively impact the Railroad's ability to offer safe, efficient, economical and reliable service to its freight and passenger customers. For example, communities could prohibit train operations or noise levels during certain hours (e.g., evenings and early morning) or on certain days (e.g. Sundays) and the hours of operation could vary from community to community. This type of restriction would increase the cost of operations, impact train movements, customer schedules, contract commitments, and the amount of business the Railroad can accommodate each year due to decreased or varied hours of operation. More importantly, in situations where the Railroad and a municipality are in agreement on a planning and zoning issue, an individual or environmental group could still file a lawsuit seeking to overturn the municipality's decision, which would further delay or possibly eliminate a project.

There are other adverse impacts that can arise if the Railroad is subject to local planning and zoning. Inconsistent regulation would also decrease the value of the State's considerable investment in purchasing the Railroad. Finally, it could unreasonably delay and add significant cost to the Railroad's efforts to improve the transportation infrastructure of the State through upgrades of existing track and facilities and expand in new directions (for example to Fort Greely or to Canada).

While federal law arguably protects interstate commerce from some of these restrictions, the issue as it now stands after the Supreme Court decision invites litigation, which is not only costly to the Railroad and municipalities, but could result in inconsistent holdings among various jurisdictions. The bottom line is that, because the Railroad is an essential part of the State's transportation network and serves an important State mission, the State should be the entity that controls the Railroad's use of its land, not the 13 Railbelt municipalities and boroughs.



House Transportation Committee  
State Capitol, Room 17  
465-4858



**Rep Jim Holm, Chair**

*Members:*

*Rep Mary Kapsner, Rep Vic Kohring, Rep Albert Kookesh, Rep Bev Masek, Rep Dan Ogg, Rep Nick Stepovich*

---

Sectional Analysis

**House Bill 560**

ALASKA RAILROAD: EXTENSION/ TASK FORCE  
by the House Transportation Committee  
5/7/4

**Section 1** allows the Alaska Railroad Corporation to extend its existing line to Fort Greely, Alaska, and to acquire land along the corridor for associated facilities.

**Sections 2 and 3** authorize the Alaska Railroad Corporation to issue bonds for up to \$500,000,000 for this extension.

Before issuing the bonds, the Railroad must enter into a binding agreement with the United States government that will provide sufficient revenue to pay principal, interest, and other costs for the bonds.

**Section 4** creates a Railroad Planning, Platting, and Land Use Regulation Task Force, to make recommendations to the Legislature regarding the extent to which local regulations should apply to Railroad land.

Members of the Task Force, appointed jointly by the President of the Senate and the Speaker of the House of Representatives, will include a municipal official from each of the thirteen governing bodies through which the rail line currently passes.

**Section 5** sunsets the Task Force on the second day of the 2005 legislative session.

**Section 6** makes HB 560 effective immediately upon passage.



**House Transportation Committee**  
State Capitol, Room 17  
465-4858



**Rep Jim Holm, Chair**

***Members:***

*Rep Mary Kapsner, Rep Vic Kohring, Rep Albert Kookesh, Rep Bev Masek, Rep Dan Ogg, Rep Nick Stepovich*

---

**House Bill 560**

*"An Act relating to application of municipal ordinances providing for planning, platting, and land use regulation to interests in land owned by the Alaska Railroad Corporation; and providing for an effective date."*

**Sponsor Statement**

A recent Alaska Supreme Court decision has called into question the Railroad's exemption from local planning and zoning ordinances provided in AS 42.40 ("Alaska Railroad Corporation"). This bill would clarify the Legislature's intent that such local regulations do not apply to the Railroad's land unless it is leased to another person without retaining a railroad right of use.

The Alaska Railroad Corporation is both an interstate common carrier and an instrumentality of the State of Alaska. Its statutory mission is to provide transportation services to residents, businesses, visitors and military installations in the State, and foster and promote long term economic growth and development, particularly of the State's land and natural resources. The Railroad's ability to operate safely, efficiently and effectively is due in great part to the singular nature of its corridor Right-Of-Way. The Railroad's current track alignment passes through 13 recognized municipal (city and borough) governments between Seward and North Pole. It is important to protect the Railroad's ability to use its lands for operational purposes in service to the broader state interest without facing different, and potentially conflicting, planning and zoning scenarios among so many municipalities.

Without this protection, local communities could separately dictate planning and zoning restrictions that would negatively impact the Railroad's ability to offer safe, efficient, economical and reliable service to its freight and passenger customers. For example, communities could prohibit train operations or noise levels during certain

hours of operation could vary from community to community. This type of restriction would increase the cost of operations, impact train movements, customer schedules, contract commitments, and the amount of business the Railroad can accommodate each year due to decreased or varied hours of operation. More importantly, in situations where the Railroad and a municipality are in agreement on a planning and zoning issue, an individual or environmental group could still file a lawsuit seeking to overturn the municipality's decision, which would further delay or possibly eliminate a project.

There are other adverse impacts that can arise if the Railroad is subject to local planning and zoning. Inconsistent regulation would also decrease the value of the State's considerable investment in purchasing the Railroad. Finally, it could unreasonably delay and add significant cost to the Railroad's efforts to improve the transportation infrastructure of the State through upgrades of existing track and facilities and expand in new directions (for example to Fort Greely or to Canada).

While federal law arguably protects interstate commerce from some of these restrictions, the issue as it now stands after the Supreme Court decision invites litigation, which is not only costly to the Railroad and municipalities, but could result in inconsistent holdings among various jurisdictions. The bottom line is that, because the Railroad is an essential part of the State's transportation network and serves an important State mission, the State should be the entity that controls the Railroad's use of its land, not the 13 Railbelt municipalities and boroughs.

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

**Sec. 42.40.380. Use of state land.** When emergency conditions require that track or other right-of-way fixtures of the corporation be moved from the existing location and relocated on state land adjacent to or in the vicinity of the existing right-of-way and the chief executive officer determines that relocation is necessary to maintain safe and adequate rail operations, the corporation may effect the relocation and notify the Department of Natural Resources. The relocation must affect only the amount of state land necessary to adequately restore or continue safe rail operations at a normal level. (§ 2 ch 153 SLA 1984)

#### NOTES TO DECISIONS

Cited in *Laverty v. Alaska R.R. Corp.*, 13 P.3d 725 (Alaska 2000).

**Sec. 42.40.385. Eminent domain.** (a) The corporation may exercise the power of eminent domain under AS 09.55.240 — 09.55.460 to acquire land for railroad transportation purposes consistent with this chapter. Notwithstanding AS 09.55.250, the corporation may acquire a fee simple title whenever, in the judgment of the board, ownership of a fee simple title is necessary to carry out the purposes of this chapter.

(b) The corporation may file a declaration of taking in the manner provided for the state under AS 09.55.420.

(c) The power of eminent domain conferred under this section includes the power to obtain clay, gravel, sand, timber, rock, or other material for the operation of the railroad, the land necessary to obtain the material, and access to the land and material.

(d) The exercise of the power of eminent domain requires the prior approval of the governor. (§ 2 ch 153 SLA 1984)

→ **Sec. 42.40.390. Land use rules.** The board may adopt exclusive rules governing land use by parties having interests in or permits for land owned or managed by the corporation. The power conferred by this section is exercised for the common health, safety, and welfare of the public and to the extent constitutionally permissible, may not be limited by the terms and conditions of leases, contracts, or other transactions. (§ 2 ch 153 SLA 1984)

**Sec. 42.40.400. Vacation of easements.** The corporation may vacate an easement acquired under this chapter by executing and filing a deed in the appropriate recording district. If the easement was acquired by the corporation under 45 U.S.C. 1201 — 1214 (Alaska Railroad Transfer Act of 1982), the state shall acquire the easement for use in conformity with those laws. (§ 2 ch 153 SLA 1984)

**Sec. 42.40.410. Federal land.** Except as provided in AS 42.40.285(5), the corporation may submit applications on its own behalf as an instrumentality of the state for acquisition of federal land available under federal law that will enhance the operations of the corporation if it is available under a federal law other than the Alaska Statehood Act of 1958 (P.L. 85 — 508, 72 Stat. 339), as amended. The corporation may receive in its own name conveyances of all interests in federal land. (§ 2 ch 153 SLA 1984; am § 5 ch 59 SLA 1999)

**Effect of amendments.** — The 1999 amendment, effective September 8, 1999, added the exception at the beginning and made a related stylistic change.

**Sec. 42.40.420. Public use of railroad land.** Upon request of a municipality or the state, the corporation may authorize use of railroad land for public purposes. Subject to AS 42.40.350(b), the corporation shall authorize a walkway or a trail if the board first

HCR

3

# FISCAL NOTE

**STATE OF ALASKA**  
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HCR3  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DOT&PF  
 Title Support Roads/Hot Springs Loop Road BRU Commissioner's Office  
 Component Commissioner's Office  
 Sponsor Holm  
 Requester HTRA Component No. 530

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

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2003) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

Prepared by: Dennis R. Poshard Phone 465-3900  
 Division Special Assistant to Commissioner Date/Time 1/29/03 3:30 PM  
 Approved by: Commissioner Mike Barton Date 1/29/2003  
 Agency Alaska Department of Transportation and Public Facilities