

State of Alaska FY2004 Governor's Operating Budget

Department of Natural Resources Development - Special Projects Component Budget Summary

Component: Development - Special Projects

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Component Mission

Manage development projects and the permit process so that complex, multi-agency projects are reviewed in a manner that is efficient for the applicant, involves the public in decisions that affect them, and results in decisions that protect public resources.

Component Services Provided

Special development projects authorizations are included in this component. This project uses primarily funds provided by an applicant to coordinate the permitting of a large and complex project. Most of the projects permitted under this arrangement are large mines. Under state law DNR is the coordinating agency for large mine projects. Projects that are being coordinated under this program include the Pogo Mine Project near Delta, the Fort Knox and True North Projects near Fairbanks, the Red Dog Project near Kotzebue, the Donlin Creek Project near Crooked Creek. It also includes coordinating participation in permitting of the Greens Creek Mine near Juneau, which is on federal lands, and the Kensington Mine Project near Juneau.

In addition to large mine development projects, this component "houses" other development project funding, typically one-time funding for projects such as the Pt. Thomson Project Coordination, the Ring-of-Fire Resource Management Plan Project Agreement, the Northwest National Petroleum Reserve Alaska Project Coordination, the Western North Slope Satellite Development Project Coordination, a Public School Lands Appraisal project, a Wildfire Risk Reduction project, and reclamation bond projects. In addition, the new "Office of Project Management and Permitting" is included in this component.

Component Goals and Strategies

The primary goal of the Development Special Projects Component is to facilitate special project reviews through an interagency project team process. Project teams are established at the request of the applicant and funded primarily through a reimbursement agreement between the Department of Natural Resources and the requesting party.

This project allows the Department of Natural Resources to receive funds through reimbursement agreements and to distribute those funds to the various participating project review agencies by individual reimbursable services agreements consistent with an agreed-upon work plan and schedule for each project undertaken. This process allows project team staff from the resource agencies to focus on the individual project and work with the company and others to evaluate the proposal and determine what, if any, alternatives should be considered. It is an interactive interagency process to evaluate project feasibility.

Project involvement anticipated for FY04:

* Pogo Mine Project – Administration of permits issued in FY03 necessary for authorization and development including participation in preparation of EIS and public process for state authorizations. Regulation of mining, development and exploration activities.

* Green's Creek Project – Administration of permits issued for expansion of tailings disposal site in FY03. Technical review and processing for authorizations or amendments, and follow-up work on additional expansions. * True North Project - Continue regulation of mining and exploration and address authorization of any expansion plans. Monitor development, should expansion project be authorized.

- * Ft. Knox - Ongoing monitoring of blending ores from Ft. Knox and True North. Provide interagency coordination, and monitor concurrent reclamation. Review as necessary.
- * Red Dog - Monitor ongoing mining activities and coordinate completion of solid waste permit, revised reclamation plan and reclamation bond . Continue interagency review process at company's request.
- * Donlin Creek – Coordinate interagency efforts for permitting this potentially large gold mining project in the mid-Kuskokwim region.
- * Kensington Mine - Coordinate interagency efforts for permitting the proposed underground mining operation situated on patented mining claims near Berners Bay, approximately 50 miles north of Juneau.

Note: Most project lead agency requests are initiated by applicants, so it is difficult to anticipate who will initiate requests, when such requests will be received, or what projects may become high priorities, as this is controlled by industry.

Mineral exploration activities continue by a number of major and junior companies. We anticipate overall activity may increase during FY04 with expansions at existing mines and the possibility of new projects entering the development phase. Companies will seek development authorizations if the metal prices reach points where such projects are economically feasible.

Other development projects may be included in this component. At this time, projects funded by BLM for the Northwest NPRA and the "Ring of Fire" are planned, as well as projects for the Pt. Thomson and Western North Slope coordination. In addition, the new "Office of Project Management and Permitting" is established in this component.

Key Component Issues for FY2003 – 2004

Not applicable.

Major Component Accomplishments in 2002

1. State interagency efforts on the Pogo Mine Project DEIS and access right-of-way progressed and to secure the required state authorizations.
2. Coordinated efforts to issue permits for the expansion of the True North deposit and addressed various regulatory issues affecting this operation and at the Ft. Knox gold mine.
3. At the invitation of the US Forest Service and Green's Creek Silver Mine, the Division participated in federal-state environmental reviews of operation at the site near Juneau as well for renewal of the reclamation plan and reclamation bond. Also participated in the USFS DEIS for the expansion of the tailings facility including modifying the state's solid waste permit, reclamation plan and bond.

Coordinated interagency efforts at the Red Dog Zinc Mine to address the need for a solid waste permit, reclamation plan renewal and estimating an appropriate reclamation bond.

5. Coordinated preliminary interagency permitting efforts for the Donlin Creek Project including discussions with federal agencies (EPA and USACE).

Statutory and Regulatory Authority

AS 38/ 11 AAC/ AS 27

Development - Special Projects
Component Financial Summary

All dollars in thousands

	FY2002 Actuals	FY2003 Authorized	FY2004 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3.5	0.0	844.3
72000 Travel	1.0	0.0	40.7
73000 Contractual	430.8	2,013.6	1,554.3
74000 Supplies	7.2	0.0	25.4
75000 Equipment	0.0	12.0	7.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	442.5	2,025.6	2,471.7
Funding Sources:			
1002 Federal Receipts	0.0	0.0	376.8
1004 General Fund Receipts	12.1	309.5	0.0
1066 Public School Fund	65.4	521.5	0.0
1108 Statutory Designated Program Receipts	365.0	1,194.6	1,514.9
1153 State Land Disposal Income Fund	0.0	0.0	580.0
Funding Totals	442.5	2,025.6	2,471.7

Development - Special Projects

Proposed Changes in Levels of Service for FY2004

1. An agreement for Pt. Thomson project coordination was entered into between the Department of Natural Resources and ExxonMobil on September 23, 2002, and FY03 authorization was granted by Legislative Budget and Audit (LB&A) on RPL #10-3-4044 (approved October 3, 2002). This request provides authorization for continuation of the agreement into FY04.

ExxonMobil proposes developing a gas cycling project at the Point Thomson Unit on the North Slope of Alaska, approximately 60 miles east of Prudhoe Bay.

The Department of Natural Resources (DNR) hired a Project Coordinator to provide for an efficient and coordinated review of State permitting processes for the Pt. Thomson Oil and Gas Development Project. This position and other state agency costs associated with the project are funded through a reimbursable services agreement with ExxonMobil Production Company (ExxonMobil). The Coordinator works closely with the State's Departments of Environmental Conservation, Fish and Game, Law, and the Division of Governmental Coordination, and other DNR divisions in the permit review process and the processing of State applications necessary for development and operation of the project. The Coordinator is also the State's lead representative for coordination with the US Environmental Protection Agency, and other federal and local permitting agencies on the development of the project Environmental Impact Statement.

2. An agreement for the "Ring of Fire" Resource Management Plan project coordination was entered into between the Department of Natural Resources and the Bureau of Land Management (BLM) on September 6, 2002, and FY03 authorization was granted by Legislative Budget and Audit (LB&A) on RPL #10-3-4041 (approved October 3, 2002). This request provides authorization for continuation of the agreement into FY04.

The BLM invited the State to partner with them in a cooperating agency relationship on the "Ring of Fire" Resource Management Plan Amendment. BLM funded a State Project Coordinator position through an Interagency Personnel Agreement. The plan will evaluate multiple-use and protection options for the Ring of Fire planning area which includes approximately 1.3 million acres in the Copper River Basin, Tiekel River area, and Bering Glacier area.

The Ring of Fire Project Coordinator acts as the State's lead contact on the project and coordinates state participation in the process. Responsibilities include close coordination with BLM staff, development of coordinated state agency comments on the management plans and Environmental Assessments, communication with affected communities and other stakeholders, and participation in technical and scientific meetings.

3. An agreement for the Northwest National Petroleum Reserve Alaska project coordination was entered into between the Department of Natural Resources and the Bureau of Land Management (BLM) on August 29, 2002, and FY03 authorization was granted by Legislative Budget and Audit (LB&A) on RPL #10-3-4038 (approved October 3, 2002). This request provides authorization for continuation of the agreement into FY04.

The BLM invited the State to partner with them in a cooperating agency relationship on the Northwest (NW) National Petroleum Reserve-Alaska (NPR-A) Integrated Activity Plan (IAP)/Environmental Impact Statement (EIS) land planning process. The plan will consider appropriate multiple-use management options for the planning area including renewed oil and gas exploration and development. BLM funded a State Project Coordinator position and associated costs through an Interagency Personnel Agreement.

The NW NPR-A Project Coordinator acts as the State's lead contact on the project and coordinates state participation in the IAP/EIS process. Responsibilities include close coordination with the federal BLM and Minerals Management Service staff; the development of coordinated state agency comments on the IAP/EIS; communication with the North Slope Borough, environmental community and other stakeholders; and participation in technical and scientific meetings.

4. An agreement for Western North Slope Satellite Development project coordination is being negotiated between the Department of Natural Resources and ConocoPhillips. FY03 authorization was granted by Legislative Budget and Audit (LB&A) on RPL #10-3-4042 (approved October 3, 2002). This request provides authorization for continuation of the agreement into FY04.

The agreement provides for ConocoPhillips to reimburse the state for state costs associated with the review of the

Western North Slope Satellite Development Project and the processing of state applications necessary for development and operation of the project. ConocoPhillips proposes to develop five production pads in the Western North Slope (WNS) region. Three pads will be located in the National Petroleum Reserve - Alaska (Alpine West, Lookout and Spark) and two pads will be located north and south of the Alpine facility (CD - North [Fiord] and CD - South [Nanuq]). All five production projects will be reviewed concurrently through a single environmental impact statement (EIS) process.

The Department of Natural Resources (DNR) provided a Western North Slope Project Coordinator, to oversee a coordinated review of federal and state permitting and environmental review processes for the WNS Project. The Coordinator works closely with the State's Departments of Environmental Conservation, Fish and Game, Law, the Division of Governmental Coordination, and other DNR divisions in the permit review process and the processing of State applications necessary for development and operation of the project. The Coordinator is also the State's lead representative for coordination with the US Department of Interior, Bureau of Land Management, cooperating agencies, and federal and local permitting agencies on the development of the project EIS under the National Environmental Policy Act (NEPA).

5. The Department of Natural Resources as lead for resource development projects will establish the Office of Project Management and Permitting. This office will lead and coordinate all matters relating to the state's review and authorization of resource development projects. The purpose of the office is to facilitate and expedite resource development of large projects by coordinating and streamlining the permitting activities of all state agencies with authority over a project.

The Department of Natural Resources presently has statutory authority as lead agency for mining. The Department's current role as lead agency will be statutorily expanded to other resource industries. DNR will establish the Office of Project Management and Permitting to carry out its lead responsibilities.

Examples of potential future projects that may involve this office include NPRA EIS, Colville River EIS, Coalbed Methane Project, integrated permitting for exploration licensing, and coordinating with DEC on exploration permitting for Foothills, Beaufort Sea, and NPRA areas, Kensington Mine, and Donlin Creek Mine.

Summary of Component Budget Changes

From FY2003 Authorized to FY2004 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2003 Authorized	309.5	0.0	1,716.1	2,025.6
Adjustments which will continue current level of service:				
-Eliminate One-Time-Item Wildfire Risk Reduction (Sec7 CH10 SLA02 P2 L22)	-309.5	0.0	0.0	-309.5
-Eliminate One-Time-Item Public School Lands Appraisal Sec47(b)(c), CH1, SSSLA02)	0.0	0.0	-521.5	-521.5
-\$75 per Month Health Insurance Increase for Non-covered Staff	0.0	1.8	1.8	3.6
Proposed budget decreases:				
-Reduce Authorization for	0.0	0.0	-81.0	-81.0

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
Reclamation Bonds				
Proposed budget increases:				
-U.S. Forest Service Kensington Mine Project Agreement	0.0	125.0	0.0	125.0
-Pt. Thomson Project Coordination	0.0	0.0	149.8	149.8
-"Ring of Fire" Resource Management Plan Project Coordination	0.0	125.0	0.0	125.0
-Northwest National Petroleum Reserve Alaska Project Coordination	0.0	125.0	0.0	125.0
-Western North Slope Satellite Development Project Coordination	0.0	0.0	149.7	149.7
-Office of Project Management and Permitting	0.0	0.0	680.0	680.0
FY2004 Governor	0.0	376.8	2,094.9	2,471.7

Development - Special Projects

Personal Services Information

	Authorized Positions		Personal Services Costs	
	<u>FY2003</u> <u>Authorized</u>	<u>FY2004</u> <u>Governor</u>		
Full-time	0	9	Annual Salaries	658,140
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	196,667
			<i>Less 1.23% Vacancy Factor</i>	(10,507)
			Lump Sum Premium Pay	0
Totals	0	9	Total Personal Services	844,300

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Lrg Project Coordinator	2	0	0	0	2
Natural Resource Mgr III	1	0	0	0	1
NW-NPRA Proj. Coordinator	1	0	0	0	1
Project Manager	2	0	0	0	2
Pt. Thomson Proj. Coordinator	1	0	0	0	1
Ring of Fire Proj. Coordinator	1	0	0	0	1
Western N.S. Proj. Coordinator	1	0	0	0	1
Totals	9	0	0	0	9