

Basin Commission Meeting

August 15, 2012

Project Planning
Bill Adams, EPA





Topics

- Sources of Funding
 - CDA Work Trust – Dan Silver
 - Special Accounts – Bill Adams
- Project Planning Spreadsheet – Costs and Sources of Funding
- Presentation of simplified scenario and tradeoffs of different approaches
- Discussion by Commissioners and Public Input

Successor Coeur d'Alene Custodial Trust

➤ What is the Trust?

- Created with settlement funds from Asarco bankruptcy
- Can only be used to conduct cleanup work outside of the Bunker Hill Box
- Managed by the Trustee to maximize value and carry out actions selected and approved by EPA

➤ Consists of:

- General Work Account
- Special Work Account
- Custodial account

Trust Balances

	General Work Account	Special Work Account	Custodial Account	Total
Beginning Account Value	\$ 388,599,622	\$ 34,040,268	\$ 14,000,000	\$ 436,639,890
2 nd Quarter End 2012 Account Value	\$ 394,798,805	\$ 34,864,070	\$ 14,217,750	\$ 443,880,625
Change in Value	\$ 6,199,183	\$ 823,802	\$ 217,750	\$ 7,240,735
				(1.66%)

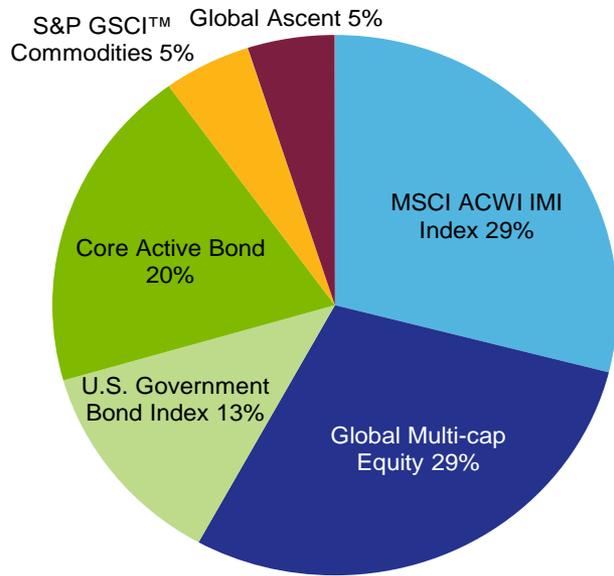


BLACKROCK

Investment allocation of Coeur d'Alene Trust

Presentation to Basin Commission

August 15, 2012



	Current
Expected Beta Return	5.45%
Expected Alpha Return	1.66%
Expected Inflation	2.00%
Expected Real Return	5.10%
Expected Fees	0.53%
Expected Net Real Return	4.57%

The Coeur d'Alene Trust is invested in the above solution

- Return and risk assumptions reflect final solution and BlackRock's latest capital market assumptions**

See Appendix for assumptions.

Assume starting asset value of \$446m (based on values as of August 1, 2012). All modeling and simulations are in real terms (net of fees).

Equities

MSCI ACWI IMI Index (29%)

- Global equities, passively managed to the MSCI ACWI IMI index, which is a market capitalization weighted benchmark
- Includes securities across developed and emerging markets, large cap and small cap (~9,000 securities)

Global Opportunities (29%)

- Fundamental active equity portfolio managed by Tom Callan in Philadelphia, PA
- Portfolio selections are based on quantitative research, fundamental sub-industry research, fundamental company research and careful portfolio construction (~200 securities)

Fixed Income

US Government Bond Index (13%)

- US government bonds passively managed to the Barclays Government Bond Index, a market capitalization weighted benchmark
- Includes US Treasury and agency securities (~300 securities)

Core Active (20%)

- Model-based fixed income strategy managed by the Model Based Fixed Income team in San Francisco, CA
- Alpha sources include security selection, industry rotation, asset allocation, and duration and yield curve management
- Securities include US Treasury, agency, securitized and investment grade credit bonds (~1,000 securities)

Alternatives

Commodities (5%)

- Broad based commodities futures portfolio, fully collateralized, passively managed to the S&P Goldman Sachs Commodity Index, a production weighted benchmark
- Includes energy, agriculture, industrial and precious metals

Global Ascent (5%)

- Institutional quality global macro hedge fund managed by the Global Market Strategies Group in San Francisco, CA
- Exploits sensible economic principles to generate returns from 80+ global markets

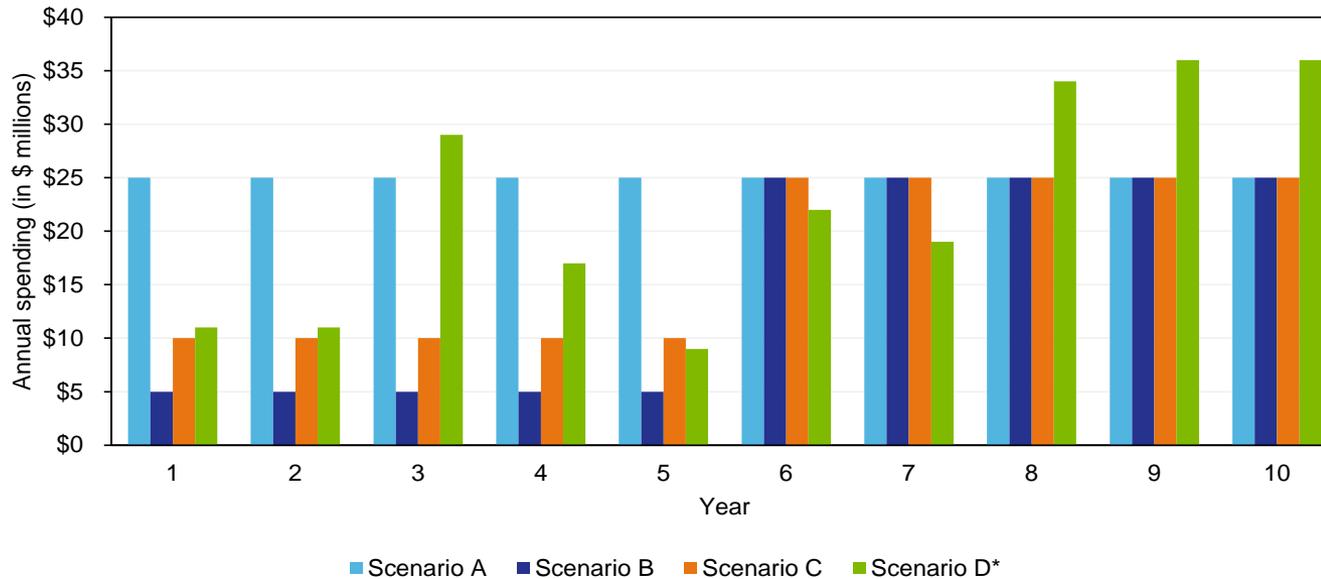
Fund	Return since inception
MSCI ACWI IMI Fund	-4.73%
MSCI ACWI IMI Index	-5.05%
Excess return	0.32%
Global Multi-Cap Equity Fund	-8.18%
MSCI ACWI Index	-4.80%
Excess return	-3.38%
BarCap US Government Bond Fund	8.01%
BarCap US Government Bond Index	7.92%
Excess return	0.10%
Core Active Bond Fund	8.23%
BarCap US Aggregate Index	7.41%
Excess return	0.82%
S&P GSCI Commodities Fund	-10.83%
S&P GSCI Commodities Index	-10.89%
Excess return	0.06%
Global Ascent	-6.71%
Cash	0.06%
Excess return	-6.77%

Returns and tracking errors are calculated with monthly gross returns.

Returns since inception are calculated with data from March 2011 to June 2012 and are annualized.

We analyze the impact of three payout scenarios:

1. **Scenario A:** Spend \$25 million per year
2. **Scenario B:** Spend \$5 million for the first five years and \$25 million thereafter
3. **Scenario C:** Spend \$10 million for the first five years and \$25 million thereafter
4. **Scenario D:** Spend 75% of the real annual return each year (\$5m minimum, \$40 maximum)

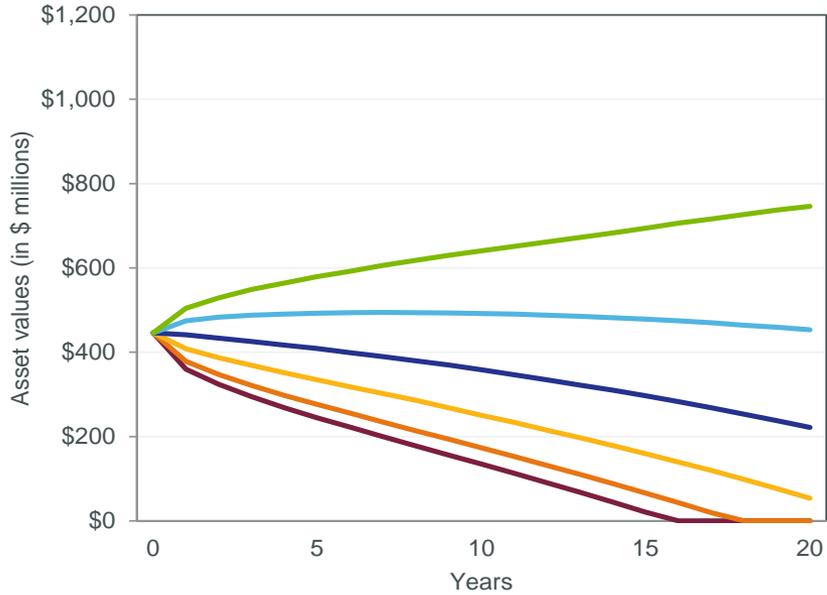


All cash flows are in real terms.

*Based on a random simulation. Cash flows can vary significantly year over year under Scenario D.

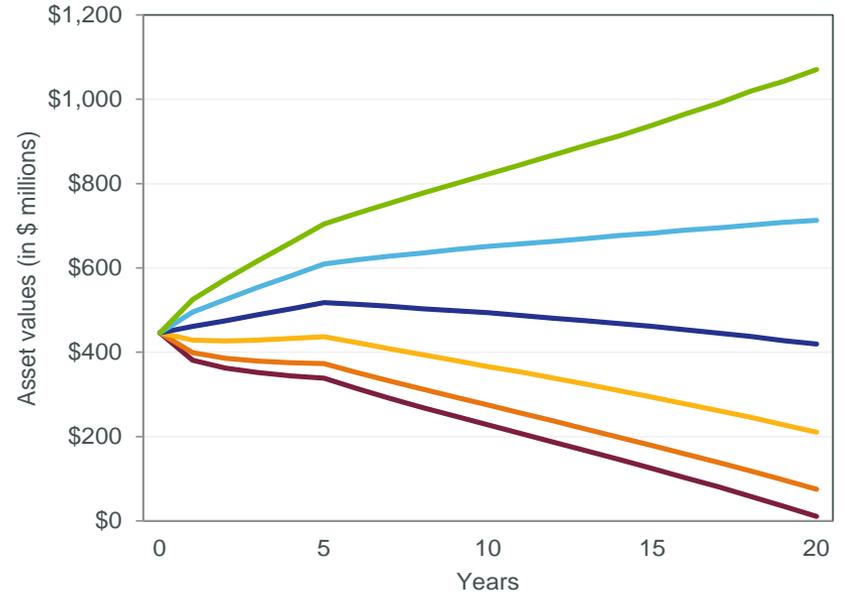
	Median	10% downside	Probability > 50 years	Probability > 90 years
Scenario A	30 years	17 years	26%	17%
Scenario B	46 years	23 years	46%	32%
Scenario C	41 years	21 years	41%	28%
Scenario D	86 years	56 years	95%	46%

Scenario A



5% 10% 25% 50% 75% 90%

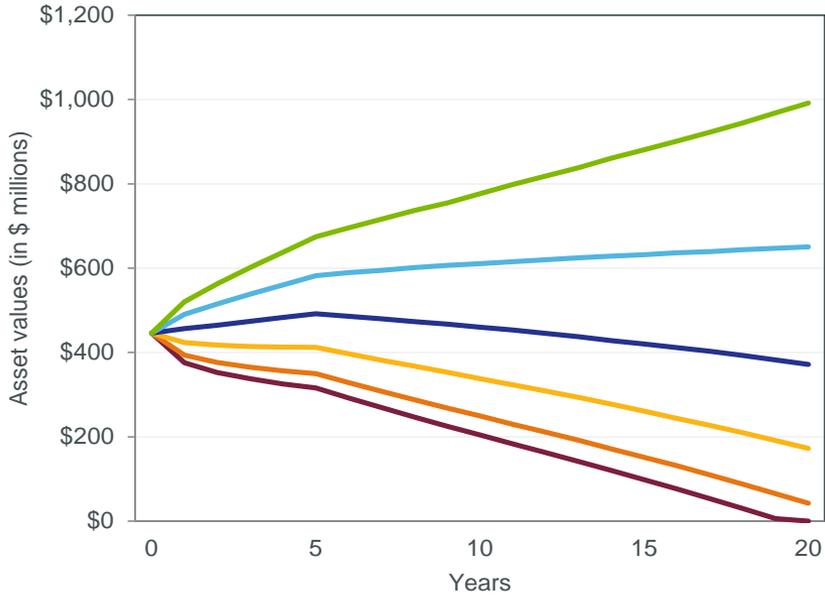
Scenario B



	Scenario A			Scenario B		
	Asset value in 5 years	Asset value in 10 years	Life of the Trust	Asset value in 5 years	Asset value in 10 years	Life of the Trust
Median	\$409m	\$358m	30 years	\$518m	\$494m	46 years
10% downside	\$277m	\$174m	17 years	\$373m	\$275m	23 years
Probability > 50 years			26%			46%
Probability > 90 years			17%			32%

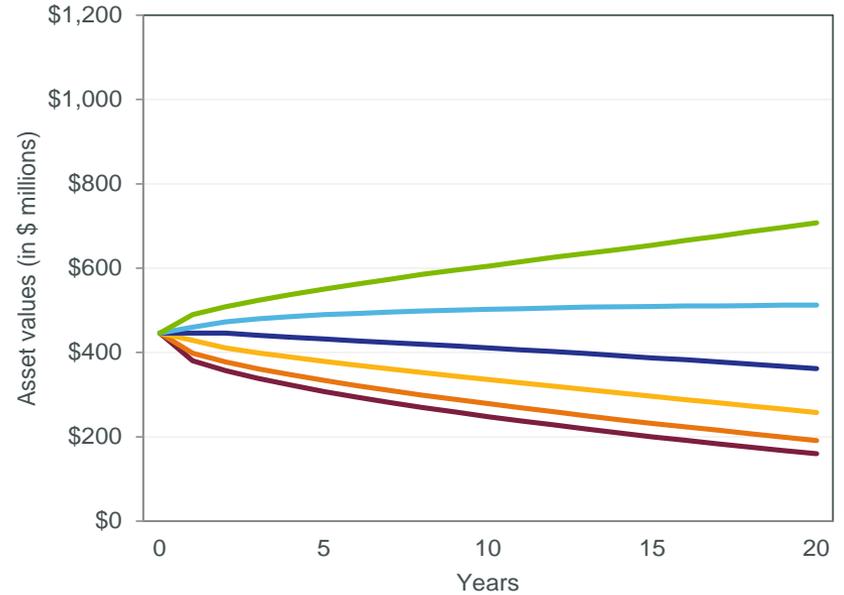
All modeling and simulations are in real terms (net of fees).

Scenario C



5% 10% 25% 50% 75% 90%

Scenario D



	Scenario C			Scenario D		
	Asset value in 5 years	Asset value in 10 years	Life of the Trust	Asset value in 5 years	Asset value in 10 years	Life of the Trust
Median	\$492m	\$460m	41 years	\$432m	\$411m	86 years
10% downside	\$350m	\$250m	21 years	\$334m	\$279m	56 years
Probability > 50 years			41%			95%
Probability > 90 years			28%			46%

All modeling and simulations are in real terms (net of fees).

EPA Special Accounts

- Contain receipts from various settlements
- Can be used anywhere in the Box or Basin for cleanup related activities
- Only current source of funding for cleanup in the Box
- Nominal rate of return on account balance = .69%

Summary of Hecla Settlement Funds

	FY2011	FY2012	FY2013	FY2014	Total
EPA	45,474,000	34,145,000	26,600,000	7,700,000	113,962,000
Registry	70,856,000				
Idaho	55,322,000	11,382,000	8,882,000	2,566,000	78,151,000
Idaho Tribes	5,138,000				
Total	176,790,000	45,527,000	35,527,000	10,263,000	268,107,000

Total does not include certain Superfund Interest payments - .69% to .74%.
Numbers are rounded.

Other EPA Appropriations

- Historically EPA has received funding from HQ for remedial actions and funding for ongoing remedial design and support needs
- This HQ funding has been recently eliminated for this site
- Region 10 will continually seek additional funding from HQ to supplement settlement dollars

Introduction to Spreadsheet

- Expenditure Summary based on Projects and Costs discussed in May 2012 Basin Commission meeting
- Majority of costs are FS level (-30%/+50%)
- Sources of SA and Trust funding linked to expenditures and show balance
- Rate of expenditures not held to maintain a particular SA or Trust balance
- SA and Trust balance includes formulas for estimated growth

Spreadsheet Summary

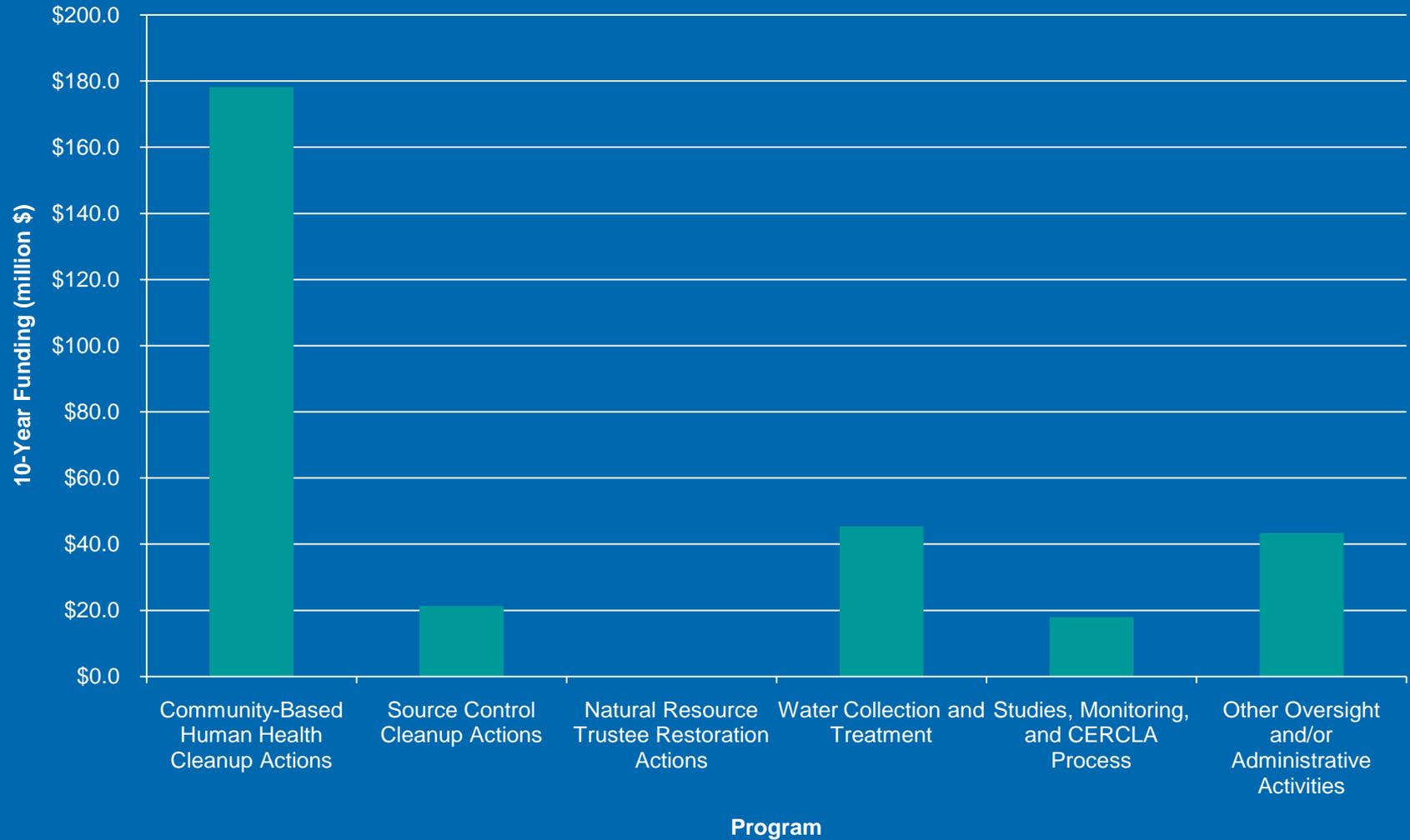
BEICP Project Funding and Sources

Summary by Expenditure Category, 2012 Dollars

	0	1	2	3	4	5	6	7	8	9
Expenditure	2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Community-Based Human Health Cleanup Actions		\$23,590,000	\$44,077,670	\$35,244,320	\$23,553,709	\$19,190,658	\$10,171,412	\$8,690,024	\$6,908,005	\$3,680,183
Source Control Cleanup Actions		\$700,000	\$2,200,000	\$2,200,000	\$200,000	\$200,000	\$11,861,000	\$243,000	\$1,743,000	\$1,743,000
Natural Resource Trustee Restoration Actions		TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD
Water Collection and Treatment		\$2,900,000	\$8,450,000	\$14,200,000	\$8,221,000	\$1,607,000	\$1,607,000	\$1,607,000	\$2,607,000	\$2,607,000
Studies, Monitoring, and CERCLA Process		\$3,200,000	\$2,700,000	\$2,450,000	\$2,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,450,000	\$1,200,000
Other Oversight and/or Administrative Activities		\$4,875,000	\$4,880,000	\$4,889,000	\$4,091,000	\$4,097,000	\$4,103,000	\$4,109,000	\$4,115,000	\$4,122,000
Expenditure Summary										
Trust		\$14,109,000	\$21,041,000	\$17,494,000	\$10,913,000	\$8,689,000	\$16,804,000	\$6,774,000	\$6,445,000	\$3,315,000
SA		\$16,831,000	\$36,773,000	\$37,063,000	\$22,243,000	\$12,093,000	\$6,808,000	\$3,693,000	\$4,943,000	\$4,693,000
Court Registry		\$1,150,000	\$1,150,000	\$1,150,000	\$1,471,000	\$1,607,000	\$1,607,000	\$1,607,000	\$1,607,000	\$1,607,000
NRT		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State		\$1,175,000	\$1,343,670	\$1,276,320	\$1,638,709	\$1,905,658	\$1,723,412	\$1,775,024	\$1,828,005	\$1,737,183
State/Tribe		\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Remaining Fund Balance (2012 Projected)										
Trust		\$441,179,721	\$433,058,497	\$428,293,842	\$430,065,962	\$434,148,606	\$430,117,005	\$436,144,905	\$442,687,577	\$452,603,479
SA		\$70,910,505	\$41,048,571	\$3,690,597	(\$18,455,058)	(\$30,227,087)	(\$36,594,520)	(\$39,783,943)	(\$44,173,396)	(\$48,256,986)

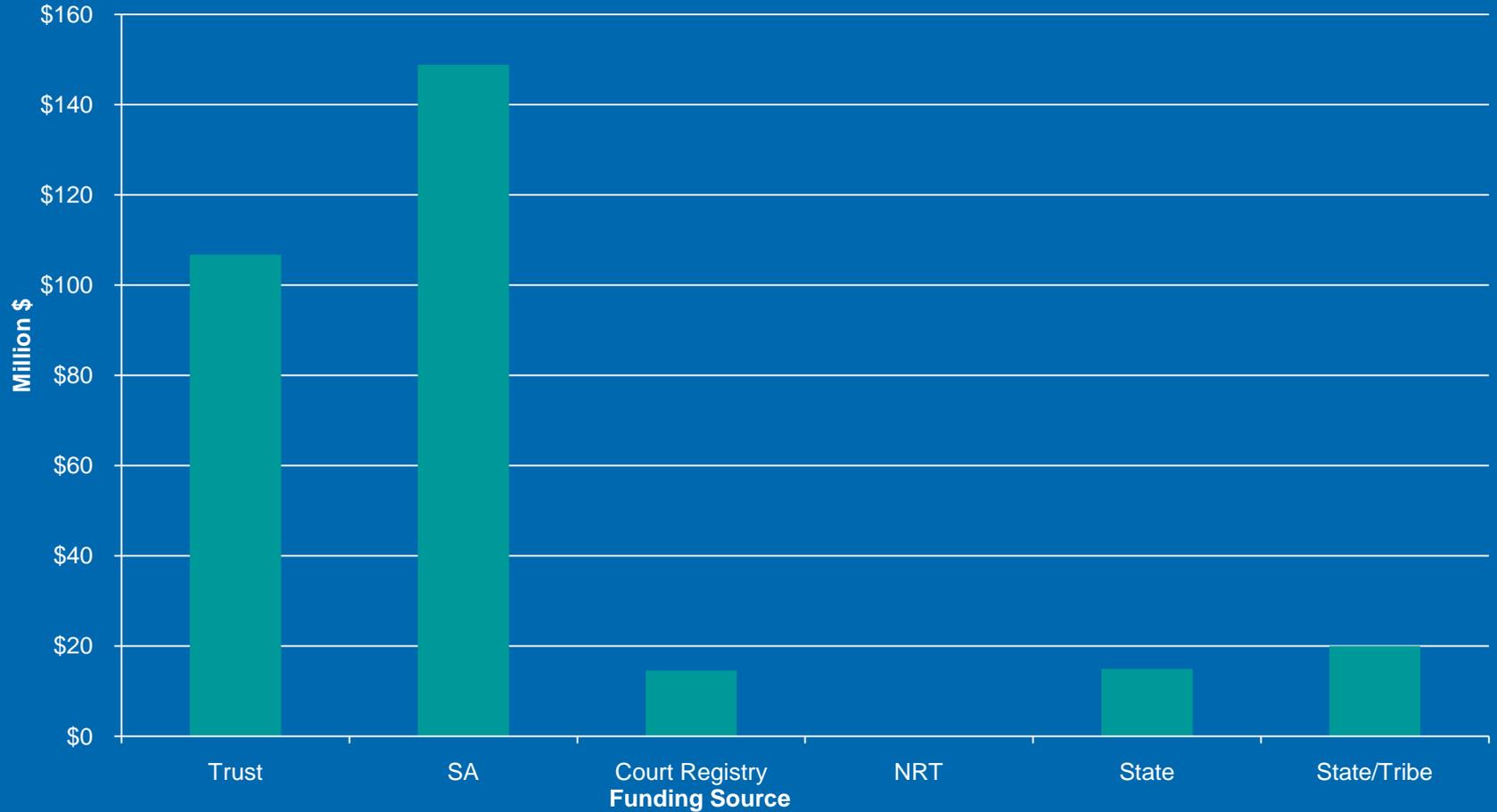
Spending by Program

BEIPC 10-Year Expenditure Forecast



Funding by Source

10-Year Funding by Source





EPA High Priority Projects

- Human Health Related Cleanup
 - Property Remediation
 - Recreational Use areas
 - Basin Gravel Roads
 - Box and Basin Remedy Protection
 - Box and Basin Paved Roads
 - Repository Design/Construction (Box & Basin)
- Water Treatment Actions in the Box and Basin
 - Ongoing CTP Operations and Plant Upgrades
 - OU2 Groundwater Collection
- Source area cleanups (human health & eco)
- Progress in Lower Basin – Modeling/Pilot
- Coordination on Cleanup/Restoration Actions

Alternative Scenarios

- Complete Upper Basin Quickly
 - \$10 m/yr for 5 years then \$25m/yr
 - Complete by 2036
 - Very little is estimated to remain in Trust balance for Lower Basin
- Go slow to grow Trust
 - \$10 m/yr for 5 years then 75% of expected interest
 - Complete Upper Basin in 2059
 - Significant resources remain for Lower Basin

Alternatives (Cont)

- Complete HH quickly and go slower on eco
 - Would include OU2 water collection via SA
 - Complete HH, roads, remedy protection etc. within 3 years
 - Implement source control and water collection at 75% of expected interest
 - Upper Basin complete 2062

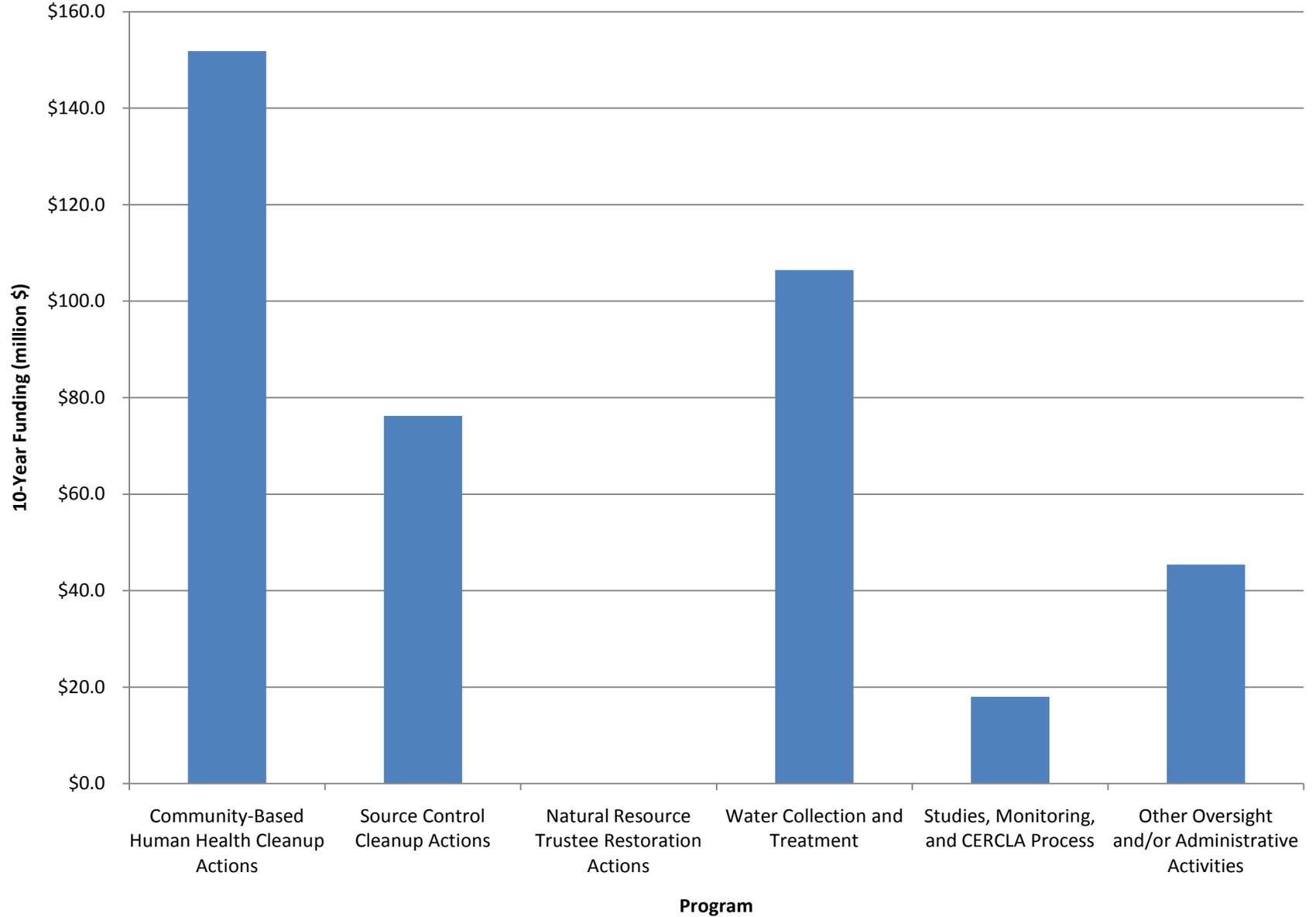
Summary of EPA Estimated 100-Year Expenditure Scenarios

Expenditure Assumption	High HH through 2017 EFNM+CCWT, then > of \$15/yr or 75% of interest	\$10m/yr for 5 yrs, then \$25m/yr	\$10m/yr for 5 yrs, then 75% of expected interest
Year when SCW Trust is exhausted	>2111	2040	>2111
Life of the Trust	>100	27	>100
Spending Over 100 yrs or until Trust exhausted (2012\$)	\$849	\$638	\$1,019
Spending Available for Lower Basin after UB Expenditures (2012\$)	\$271	\$59	\$441
Year when OU3 Upper Basin Remedy Complete	2062	2036	2059

Return Assumption – Blackrock Long-Term Forecast 6.57%/Yr – Probability estimates for returns need to be verified by Blackrock Analysis – See earlier slides from Dan Silver



10-Year Expenditure Forecast - Trust & EPA Special Account – HH Fast – Eco Slower



Scenario with HH Fast + Eco slower

ALTERNATIVE SCENARIO UPPER BASIN CLEANUP WORK FOR NEXT 10 YEARS - HH Fast - Eco at Slower Pace											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
OPERABLE UNIT 3 (funded by the ASARCO Trust)											
Community-Based Human Health Projects											
Yards Program							Lower funding level, fix-ups, etc.				
Unpaved Community Roads Program											
Paved Community Roads Program											
Remedy Protection											
Repository Management											
Source Control Actions											
Waste Consolidation Area in Ninemile Watershed		mgmt				(expansion/management as needed)					
Interstate-Callahan (Ninemile Watershed)											
East Fork Ninemile Actions					RD						
Potential Cleanup of Hecla Star Complex		RD	/		(RA Pending Hecla Expansion Plans)						
Lower Basin Pilot Project(s)			RD								
Water Treatment Actions											
Woodland Park Drain & Canyon Creek Adit Collection							RD				
Pipeline from CTP to Canyon Creek						RD	RD				
Phase 2 CTP Upgrades for OU3 Waters							RD				
CTP O&M for OU3 Waters											o&m
OPERABLE UNIT 2 (funded by EPA Special Accounts)											
CTP Upgrades for OU2 Waters, New Discharge Pipeline		RD									
CIA Groundwater Interceptor Drain		RD	RD								
New Sludge Disposal Cell (sludge from OU2 waters and BH Mine)									RD		

Factors for EPA's Spending Plan

- EPA's plan will likely be a variation of several alternative scenarios currently being evaluated
- Complete OU2 groundwater collection and other priorities in Box with Special Account
- Need to evaluate tradeoffs of spreading work out vs getting it done quickly
- Will look for ongoing efficiencies in conducting the work and prioritizing actions
- Shift as much work as appropriate to the Trust while managing rate of Trust Funding to allow growth
- Continue to seek HQ funding to supplement SA
- Resolve how to address O&M for completed projects

Thank You

