


Governor Inslee


**GOVERNOR'S STRATEGIC RESERVE BRIEFING
CONFIDENTIAL**

April 27, 2016

- Reviewed by Chief of Staff
 Informational Decision Needed
 Governor Call Governor Letter

TO: David Postman, Chief of Staff
Office of the Governor

FROM: Brian Bonlender, Director 
Department of Commerce

FROM: Chris Green, Assistant Director 
Economic Development and Competiveness

SUBJECT: REQUEST FOR THE GOVERNOR'S APPROVAL/SIGNATURE
HiTest Sand Inc.

Executive Summary:

HiTest Sand Inc is requesting \$300,000 of the Governor's Strategic Reserve Funds (SRF) to assist in a more than \$200 million business expansion for a silicon smelting facility in Addy, Washington, Stevens County which will create approximately 300 construction jobs during a 24 month timeframe, and approximately 200 permanent full time jobs. There are additional plans to double the initial capacity of the facility and double amount of full time jobs in a later phase of this project.

SRF funding would be used primarily for plant design costs, which are significant. The facility is the former Northwest Alloys site, idled in 2001, and currently owned by Alcoa. The company is in the process of determining whether or not to buy or lease the facility – the expansion is planned to move forward in either case. Upgrading and converting the plant to accommodate a silicon smelting process requires significant redevelopment, including architectural engineering, electrical engineering and process engineering – all costs that are incorporated into the overall design costs for which this request is being made.

In approving the SRF, the anticipated benefit to Washington State would be a significant increase in jobs in a rural county with 10.3 percent unemployment (January 2016 ESD report). Additionally, the silicon smelting process requires a high volume of wood chips delivered daily which could be sourced from local forestlands and contribute to forest thinning activity resulting in potential reduced risk of wildfires in the region, and contributing to elevating public safety.

The award of \$300,000 would be deducted from the remaining SRF balance of \$1,981,400, which reflects recent SRF allocations.

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BACKGROUND/CONTEXT:

The new HiTest Sand Smelting Facility would be located in Addy, Washington. The smelting process extracts valuable silicon metal from a high quality sand. The silicon metal would be sold to other in-state industries such as photovoltaic cell manufacturers and specialty aluminum manufacturers (silicon adds strength to aluminum products) as well as other out of state customers. The smelting process is unique in that it is a closed loop process and does not produce waste water. Additionally, the by-products of the smelting process have considerable value and will be sold to the cement production industry (also in-state).

Facility

The new HiTest Sand Silicon Smelter would occupy the premises of the former Northwest Alloys site in Addy. The fully developed but dormant site occupies over 400 acres and has the following key attributes:

- Existing Utilities Still Available:
- Plant 23KV Wheel Turning Power distribution system intact and operational throughout the site served by Avista
- Potable water, Storm water and Sewage system intact and operational (NWA is a zero discharge site)
- Plant 23KV Process Power distribution system intact but de-energized at BPA Substation
- Plant railroad system with electronic scales, load and unload facilities in place
- Site buildings having 460,000 square feet of ground floor area containing 16 traveling cranes ranging from 10 to 75 ton capacity

Construction

The removal of existing, outdated smelter equipment, construction and installation of new smelting equipment is expected to take 18 to 24 months. The workforce during this would range from 250 to 350 employees.

Full Time Staff and Ancillary Jobs

The full time staff once the plant is operational is anticipated to be between 150 to 200 employees. In addition, it has been well established with similar other silicon smelter that five ancillary, off-site jobs are created for each on site job.

There are long term plans to double the plant capacity so the job creation numbers, both on site and ancillary, would double accordingly.

ISSUES:

Synergist Impact to Local Economy

The smelting process will require 240 metric tons (MT) per day of wood chips. These chips will be locally sourced from existing forest products operations. Local producers of wood chips currently have to transport their product up to four hours. The HiTest facility would require a 15 to 30 minute transport time thereby substantially improving the margins of the chip producing company.

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Furthermore, the increase in overall market demand for these chips will likely result in the ability of the chip producers to realize some increase in the price of their chips.

Additionally, the wood chip requirement could be satisfied from forest thinning's to reduce wildfire danger.

Transportation

The HiTest Sand facility will require significant transportation logistics (i.e. trucking, rail) to import raw product imports (e.g. sand, coal, wood chips) and product export (e.g. silicon metal, silica dust).

STATUS:

HiTest Sand Inc. is continuing to evaluate the site in Addy and is inclined to move forward with the expansion. There are discussions taking place with Avista to negotiate an agreement on a power utilization contract. This site is ideal for them

ACTIONS/OPTIONS:

Commerce supports an award of \$300,000 to HiTest Sand Inc. to help with defraying costs associated with upgrading and converting the former Northwest Alloys plant to a silicon smelting process facility.

MESSAGES/OPTIONS:

