

Does an employee have to earn \$40,000 to receive an incentive payout?

No! All employees (except senior salaried employees) are eligible to receive an incentive payout regardless of your eligible pay. \$40,000 was simply an illustration used in previous explanations of the plan; it was meant to represent a relatively high-wage employee (such as a shovel operator) who earned substantial overtime during the year.

News FLASH

The canyon reload project was approved by the Board on October 19, 1999. Project work will begin immediately and is scheduled to be finished by March, 2000.

KEEP 2nd Tier Projects

Project/Potential Annual Savings

Reducing unproductive use of energy: \$656,000
Cyanide leaching of molybdenum concentrate: \$186,000
Reducing spillage in flotation area: \$353,000
Grinding media: Price and consumption reductions: \$3,723,000
Installing moly recovery plant at North Concentrator: \$1,823,000
Replacing flocculent emulsion with dry flocculent, at Copperton: \$819,000
Lowering prices and consumption of reagents: \$2,244,000
Moly plant sodium hydrosulfide control: \$608,000
Replace in-pit rockbreaker: \$350,000
Improve fueling time at Code 80 fuel station: \$395,000
Turn assay laboratory into a profit center: \$144,000
Renegotiate maintenance contract for haul trucks: \$840,000
Make haul roads more durable: \$469,000
Reliability centered maintenance (RCM) -- Haul Truck Pilot Project: \$600,000

Not All Cost Savings Are Sustainable

The success of the KEEP project at cutting costs has been notable. Most of the projects have generated savings that can be repeated year after year, these are called sustainable savings. But some of the savings we will enjoy this year are not sustainable -- they are one-time savings that will not produce benefits in the future. As a result, these non-sustainable savings will have to be replaced in 2000 in order to make our cost targets.

Two non-sustainable savings are particularly notable because of their size. The delayed startup of the new tailings impoundment is one, which provided a savings of about \$6 million this year. Also significant was the \$4.2 million which came from an insurance payment related to a 1998 SAG mill failure at the concentrator.

Helping to offset these one-time savings are sustainable savings that we will begin to realize

starting in the fourth quarter of 1999. Pat Keenan, lead analyst in business improvement, cites as an example the first shipment of palladium and platinum. It was shipped on October 1, 1999, and will produce \$250,000 of revenue in October. This money will be used as an offset to other costs. Additional palladium shipments in 2000 should bring in an additional \$2 million or so, Pat estimates. The Copperton Expert System was commissioned earlier this month (October). Testing will be finished by the end of November, and full steady-state benefits should be ongoing by the first of next year. If Copperton's throughput can be increased by 2 percent as a result of this project, the expected annual benefit to Kennecott will be about \$7 million. These are significant improvements that will help us in the future, and there are additional projects that will also soon provide added benefits.

"I'm optimistic about meeting next year's targets based on the various projects and ideas that have come in," says Pat. "But we do have to remember that the non-sustainable savings will have to be made up."

Palladium Begins To Contribute

Bud Wells, senior process engineer in charge of the palladium recovery effort, reports that we have made our first sale of a precious metals product that contains palladium. The buyer was Noranda Inc., of Montreal, Canada. We sold about 3.5 tons of palladium concentrate containing 700 to 800 troy ounces of the precious metal, which will bring in about \$250,000 and contribute to the refinery's cost results. This will reduce gross cash costs by 4/10ths of a cent per pound of copper in October. Bud says this first shipment is a test to make sure Noranda can process and recover the precious metal satisfactorily. If all goes well, we may be able to get another shipment to them before the end of the year.

Copper Being Recovered Earlier In The Process

A new process is being implemented in the refinery to remove copper earlier in the process. The hydromet plant at the smelter precipitates copper out of the refinery's tankhouse bleed stream for recycling through the flash smelter furnace. The new project involves recovering this copper at the refinery rather than sending it to the hydromet plant. The benefit: room in the flash smelter furnace is freed up for new concentrate. In fact, it's estimated that an additional 1,100 tons of new concentrate can be processed through the furnace per year now that it does not have to process the recycled copper from the refinery tankhouse bleed. This means 320 tons of additional copper cathode production per year. In addition to more copper, the project will also reduce annual costs related to the recycling of copper in the bleed by \$125,000.

Competitive Bidding Yields Significant Savings At Furnace

Frank Little, a Hot Metal III, reports that significant savings can be gained through competitive bidding with suppliers. Skimbay bars, used to open tap holes on the furnace, were costing \$82.95 per bar. In talks with four suppliers, Frank learned we might be able to cut that price nearly in

half to \$43.15. Last year, 4,004 bars were used. Ten-foot rebars, used to burn holes open, cost \$3.03 per bar. This price could get knocked down to \$1.75 per bar. Last year, the furnace crew used 2,854 bars.

Oxy lances are a fuel used to burn the tap hole. Until now, 18-gauge oxy lances were used. We're now testing 16 gauge. Just by starting the test, Frank says the supplier lowered the price per piece from \$2.41 to \$2.05. A total of 74,000 oxy lances were used last year.

Also being checked out is replacing the bobo, which is used to clean the furnace's face plate and trenches, with dolly bars. Bobos cost \$28 apiece, and if dolly bars prove viable, costs can be halved. Each month, 80 bobos are used.

Last year, 561 kevlar hoods at a cost of \$23.39 each were purchased, along with 1,819 kevlar sleeves at \$3.82 each. Instead of throwing them out when dirty, one idea is to issue some of each to each tapper, and then have these protective garments cleaned and reused, resulting in an annual savings of \$11,000.

Screen Saver Helps Keep Everyone Up-To-Date

KEEP South recently instituted an information program via screen savers. Scott Bell got the idea while walking through an airport and seeing the monitors that convey information to travelers. He came back to KUC and, using a commercial program (which cost only \$349 for a 1,000-site license), started communicating company information using screen savers.

The program currently involves over 100 computers and televisions in the KEEP South area. When a screen saver is triggered on a PC (the user determines how long the computer must stay idle before the screen saver comes up), a series of slides is shown. These are created by Scott, and he updates them each day. The information displayed covers such topics as safety, production, current issues, KEEP updates, metal prices, historical photos and sometimes a little humor. About 10 to 15 slides make up the program, each of which stays on for about 12 seconds.

"Rather than watching a colored ball bouncing around their screens, we wanted to give people information that is important to our business and that they can use," Scott explained.

KEEP Meetings

The KEEP group has been holding a series of meetings to update employees on the KEEP process. So far, 17 meetings have been held at various locations, including the Copperton Concentrator, the smelter, Dry Fork and the tailings. "The purpose of the meetings is to keep the KEEP process in front of people," says Scott Bell. "People want to know what we're doing and how we're doing and that's what we cover in the meetings. We also discuss what KEEP ideas have come out of their particular department. We're using these meetings to let people know we are still looking for suggestions and will continue to look for them. And they are a great forum for answering any questions KUC employees may have." The meetings, whose attendance has

ranged from about five to 30 each, are an important component of the whole communication effort of the KEEP process.

If your group would like to hear more about the KEEP process from a KEEP member, contact Scott Bell at 569-7934 or Ken Britton at 569-7625.

Haulage Truck Maintenance Costs Coming Down

In late September, the mine's guaranteed haulage truck maintenance costs were successfully renegotiated, to the tune of about \$800,000 per year in savings. This project adds value in two ways. First, the life of the haul trucks was extended by 15,000 operating hours, or about two years. This has the effect of avoiding the purchase of about 10 future haul trucks, thus saving money on capital expenses. Second, the actual guaranteed maintenance cost per hour was lowered, which saved current operating costs.

What does KUC have to do in return? A couple of things... First, we will have to beef up some or all of the truck frames to make sure the trucks actually achieve an extra two years of life. And, secondly, we need to make sure we get our trucks into the shops for their regular, scheduled oil changes and preventive maintenance checkups.

Grinding Media Savings To Reach \$4 Million

A concerted effort by plant operations and technical groups has resulted in substantial annual savings on the cost of grinding media. Additional savings will soon kick in via group procurement.

First, \$3 million in grinding media savings have been realized through: 1. renegotiating prices with suppliers, 2. sole sourcing our supply, 3. lower prices in the scrap steel market, and 4. development of grinding media that lasts longer or has lower consumption rates.

These savings have been expanded by using the purchasing power of Rio Tinto. Through its procurement group (of which the plant is a member), an additional \$1 million in annual savings will begin to be realized November, 1999.

Total annual savings in grinding media: Approximately \$4 million.

More KEEP Analysts Trained

On October 19, seven more KEEP South analysts were trained in the KEEP process and project analysis. They are Jeff Cooper, HSEQ; Nathan Lee, Engineering Lab; Richelle Golightly, Engineering Services; Nick Tzourtzouklis, HSEQ; Chris Velasquez, HSEQ; Mitch Calhoun, Tailings; and Frank Klobchar, HSEQ.

Charlie Masson, KEEP South team member in charge of the Engineering, HSEQ and Tailings areas, organized the group to analyze over 200 suggestions in their areas during the next couple of weeks. “They’ll have to hit the ground running,” Charlie says. “While the other plants have been busily cranking out analyses, we’ve got to play some catch-up.” The reason? “KEEP South decided to key on the larger plants first, those with the greatest number of ideas. We haven’t had any analysts until now.”

“I’m pretty sure our analysts will be able to knock out a fair number in a hurry,” Charlie added with a grin.

Chandler Cemetery to be Moved

You may not know it, but there is a small cemetery located on the hillside just above the Dry Fork shops. It is called the Chandler cemetery, named after a concrete crypt that dominates area. When the town of Bingham Canyon disenfranchised many years ago, ownership of the cemetery reverted to the Jordan School district. This even relates to KEEP. It turns out that the cemetery lies in the path of a haulage truck ramp that will be dumped behind the Dry Fork shops for the Canyon Reload project.

Larry Trimble, KUC’s land manager, recently acquired the land from the Jordan School district (who didn’t even know they owned it until we told them). The law requires a certain process for relocating cemeteries, but the problem was that nobody knew where the records were. That’s where Jimmy Elkins, a haulage truck driver, provided the vital clue. He remembered that an old lady in Copperton had somehow been made guardian of the records. When Larry Trimble try to contact her, he found she had died some years before, but lo and behold, her son still had the records!

The records show there were originally 36 people buried in the Chandler Cemetery. Only 8 markers can currently be found, but depressions in the land suggest some of the bodies may have already been relocated by their families. In any case, Larry is in the process of contacting the families of all the cemetery occupants, and their relocation to the Copperton cemetery will be complete by the end of October.