

**ALASKA STATE LEGISLATURE
JOINT MEETING
HOUSE TRANSPORTATION STANDING COMMITTEE
SENATE TRANSPORTATION STANDING COMMITTEE**

January 29, 2013

1:04 p.m.

MEMBERS PRESENT

HOUSE TRANSPORTATION

Representative Peggy Wilson, Chair
Representative Doug Isaacson, Vice Chair
Representative Eric Feige
Representative Lynn Gattis
Representative Craig Johnson
Representative Bob Lynn
Representative Jonathan Kreiss-Tomkins

SENATE TRANSPORTATION

Senator Dennis Egan, Chair
Senator Fred Dyson, Vice Chair
Senator Anna Fairclough
Senator Click Bishop
Senator Hollis French

MEMBERS ABSENT

HOUSE TRANSPORTATION

All members present

SENATE TRANSPORTATION

All members present

COMMITTEE CALENDAR

CONFIRMATION HEARING(S):

Department of Transportation & Public Facilities (DOT&PF)

Pat Kemp, Commissioner - Juneau

- CONFIRMATION(S) ADVANCED

OVERVIEW: KNIK ARM BRIDGE AND TOLL AUTHORITY (KABATA)

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

PAT KEMP, Commissioner
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Testified as commissioner, although not yet confirmed to the Department of Transportation & Public Facilities (DOT&PF) during his confirmation hearing.

MICHAEL FOSTER, Chair
Knik Arm Bridge and Toll Authority (KABATA)
Department of Transportation & Public Facilities
Anchorage, Alaska

POSITION STATEMENT: Presented a PowerPoint Presentation on the Knik Arm Bridge and Toll Authority (KABATA) update.

KEVIN HEMENWAY, Chief Financial Officer (CFO)
Knik Arm Bridge and Toll Authority (KABATA)
Department of Transportation & Public Facilities
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the presentation on Knik Arm Bridge and Toll Authority (KABATA).

ACTION NARRATIVE

[1:04:52 PM](#)

CHAIR PEGGY WILSON called the joint meeting of the House and Senate Transportation Standing Committees to order at 1:04 p.m. Present at the call to order from the House Transportation Standing Committee were Representatives Kreiss-Tomkins, Lynn, Isaacson, Feige, and P. Wilson; Representatives Johnson and Gattis arrived as the meeting was in progress. Present from the Senate Transportation Standing Committee were Senators Dyson, Bishop, and Egan; Senators French and Fairclough arrived as the meeting was in progress.

Confirmation Hearing(s):
Department of Transportation & Public Facilities (DOT&PF)

1:06:08 PM

CHAIR P. WILSON announced that the first order of business would be the confirmation hearing for Pat Kemp, Commissioner, Department of Transportation & Public Facilities (DOT&PF).

1:06:25 PM

PAT KEMP, Commissioner, Department of Transportation & Public Facilities (DOT&PF), provided his background. He said he is a lifelong Alaskan and came up through the ranks of the department. He began working on a survey crew for the Department of Highways, and later for the DOT&PF once the two organizations merged. After college, he began working for the DOT&PF primarily on design and construction, as well as on maintenance. In 2006, he retired after 30 years of service. In 2011, he returned to DOT&PF as deputy commissioner and was initially assigned to roads and public facilities. He detailed some of his accomplishments, including issues related to railroad crossing costs, pavement resurfacing, chip/seal on the Kenai Peninsula, and sharing of resources during storm events. Additionally, he said the DOT&PF is close to resolving a Whittier tunnel agreement. Further, he initiated an idling policy that requires trucks to shut off automatically which saves the DOT&PF hundreds of thousands of dollars a year. The department has also implemented a "tow plowing" policy. He also said he developed more discretion with highway safety, including increasing speed limits on the Alaska, Richardson, and Glenn Highways; and that he has found ways to use Highway Safety Improvement Plan (STIP) funding to address "rock fall" on the Glenn Highway.

1:10:57 PM

COMMISSIONER KEMP stated that he has enhanced the DOT&PF's relationship with the Federal Highway Administration (FHWA), the state's federal partners and has transferred buildings to Alaska Industrial Development and Export Authority (AIDEA) in exchange for a building at Ward Cove to assist the AMHS. He also stated he changed the Alaska Class Ferry (ACF) back to a shuttle ferry service, which kept that project on track. He opined as deputy commissioner he has served the department well, which has prepared him to assume the position as commissioner. In conclusion, he said he is humbled by the governor's appointment and to speak to the committees today. He offered his belief that he has developed good working relationships with

legislators and offered to be forthright and honest with members and make an effort to try to address their concerns.

1:12:35 PM

REPRESENTATIVE FEIGE remarked that normally campaign events in his district are boring, but one issue elicited a cheer in the room: the DOT&PF's announcement of an increase to speed limits. He pointed out his district had experienced some issues due to heavy rains; however, the commissioner took action quickly and timely and crews are currently fixing the Glenn Highway and keeping it from possible closure.

1:13:44 PM

REPRESENTATIVE ISAACSON congratulated the commissioner as the first Alaskan born commissioner in the state to come up through the ranks to become commissioner. He appreciated hearing about the accomplishments thus far. He asked how the commissioner intends to involve the public with respect to DOT&PF activities beyond roads.

COMMISSIONER KEMP clarified that he is the first Alaskan-born commissioner for the DOT&PF. He said public involvement is the backbone for considerable work on developing DOT&PF's projects. In fact, the department has maintained a calendar for public meetings and posts the calendar on its website. Further, he offered his belief the department goes "above and beyond the public involvement process" and works to help people understand the projects. For example, he described an instance in which a person e-mailed him with a series of complaints. He initially responded by e-mail to acknowledge he understood the person was upset with the department on a number of scores. Subsequently, he offered to direct department staff in his region to meet him. At that point the person responded in a much more conciliatory tone. Ultimately, the DOT&PF was able to address the person's concerns in a satisfactory manner, he stated.

1:16:18 PM

REPRESENTATIVE ISAACSON brought up changes to the ACF's project from a proposed single large vessel to two proposed shuttle ferries. He asked whether the department will have a public process for the proposed shuttle ferries.

COMMISSIONER KEMP agreed the DOT&PF would do so. He explained that the ACF went through a significant vetting process in the

early 2000s, which culminated in the 2004 Southeast Alaska Transportation Plan (SATP). He characterized shuttle ferries as being one key link in the plan. In 2006, the DOT&PF moved forward with the shuttle ferry concept; however, the project "morphed" over time from the initial shuttle ferry concept to a quasi-mainline ferry, he said. Ultimately, under his direction, the DOT&PF scaled back the project. He anticipated a design concept report would be finalized in the next couple weeks. He also agreed the public would be involved in the process. In conclusion, he predicted the public will like the shuttle ferry project since it will offer the AMHS more capacity, will cost less to operate, and it will be within the DOT&PF's budget.

[1:18:12 PM](#)

SENATOR FRENCH asked about the Juneau Access Road project. He asked him to discuss his involvement and coordination of the project.

COMMISSIONER KEMP answered that 20 years ago the incoming commissioner assigned him the Juneau Access Road project. He stated that he worked on pre-construction engineering, although he acknowledged that for a short time he was also the project manager. He admitted he initially did not know anything about the project but he also assumed a road project would be too costly. In response to a comment, he clarified Juneau is the largest community not connected to a road system in North America since Victoria, British Columbia is on an island. Essentially, as staff he analyzed and reviewed the cost of the ferry system, including the demand, opportunity, and flexibility to travel. In conclusion, financially, the road project "came out ahead." Incidentally, he related the initial Environmental Impact Statement (EIS) was signed by him. Currently, the project is undergoing a court-ordered EIS, which is due out in draft in March or April. Lastly, he noted the shuttle ferries will be incorporated in the plan as part of the no-build alternative.

[1:20:44 PM](#)

SENATOR FRENCH asked whether anything in this year's budget would help create the Juneau Access Road project.

COMMISSIONER KEMP answered yes, that a \$10 million request is included in the governor's capital budget. In further response, Commissioner Kemp recalled the east side of Lynn Canal

alternative stops at the Katzehin Delta across from Haines, which would require a five to ten miles ferry ride to Haines.

SENATOR FRENCH asked whether the shuttle ferries would be ideal for that run.

COMMISSIONER KEMP agreed they would be ideal. He said the shuttle ferry could handle the demand, which is about seven times greater than currently provided given the estimated annual average daily traffic (AADT) of 500 vehicles per day. In further response to a question, he clarified the AADT is an estimate by DOT&PF's engineers of the daily demand for travel between Juneau and Haines. Thus, the DOT&PF estimated 500 vehicles a day would travel on the road if the Juneau Access road current existed.

1:22:37 PM

SENATOR BISHOP recalled his own confirmation hearing by the legislature. He remarked that the state is fortunate to have Commissioner Kemp come back to state service. Additionally, he noted he first worked with Commissioner Kemp in the private sector and found him to be trustworthy. He noted Commissioner Kemp's efforts helped advance training apprenticeships in Alaska. He expressed interest in the proposed "tow plow" operation. He said he appreciated Commissioner Kemp's personal achievements. He remarked, on a personal note, that two of Commissioner Kemp's children are engineers and one is district attorney in Juneau. He concluded by thanking Commissioner Kemp for his service.

1:24:18 PM

SENATOR FAIRCLOUGH said she echoed Senator Bishop's comments. She thanked Commissioner Kemp for his service to the state. She asked Commissioner Kemp to discuss his management style.

COMMISSIONER KEMP answered that he likes to delegate and currently has three excellent deputy commissioners. Specifically, he changed from assigning deputy commissioners to a transportation mode to using a team approach to set the DOT&PF's policy and improve communications with the legislature and the governor's office. So far, he viewed nothing but positives from appointing Kim Rice and Rueben Yost to join Steve Hatter as his deputy commissioners. Under his leadership, the responsibility to accomplish projects and tasks rests with the division directors - like Jeff Ottesen, Captain Falvey, and

Steve Titus. He reported that this approach is working very well. During the past two years, as deputy commissioner, he has met with the regional directors to identify deficiencies in function and communication issues. Currently, the DOT&PF's deputy commissioners now spend more time in the field, interfacing with legislators and directors. Thus, by increasing efficiencies by delegating and improving communications, he has been able to cross things off the issues list, he said.

[1:27:46 PM](#)

SENATOR FAIRCLOUGH commended Commissioner Kemp on his ability to make improvements in communications; however, she viewed this hearing as focusing on his leadership and expertise and leadership and not on one project or accomplishment. She asked him to describe the importance of public process and how that process shapes and reflects the decisions the DOT&PF implements.

COMMISSIONER KEMP answered that public involvement and input is important to the department. He said that public input depends on the specific type of project. For example, on a National Highway System (NHS) project, the DOT&PF's emphasis is to promote safety, ensure good traffic flow, and improve commerce, whereas on a local project the process is more "touchy feely" and the DOT&PF works to incorporate more of the public comments as the scope of the project progresses. He characterized incorporating public input as a function of the project's budget. Sometimes the public wants enhancements included in projects, which are not possible to achieve. For example, in a proposed 20 mile highway paving project, the public input process might identify that people also want bike paths, lighting, and sidewalks added. Ultimately, if the department added the additional requests, the 20-mile paving project would need to be pared down to a one-mile project to accommodate the public's input. Therefore a line must often be drawn. Although the DOT&PF is sometimes criticized for its decisions, he said he felt confident the record will reflect the department very much considers public input.

[1:30:11 PM](#)

CHAIR P. WILSON, in her as Chair of the House Transportation Committee, indicated she has worked with Commissioner Kemp. Consequently, she said she has observed improvements in DOT&PF's decisions on roads, which is an area under Commissioner Kemp's purview. Specifically, she said the funding method on road projects has improved. Previously, Alaska typically funded the

most difficult projects with federal highway funds; however, under Commissioner Kemp some of the easier projects have been funded with federal funds, which frees up state monies for local projects. This has resulted in cost savings, she stated. She acknowledged that she appreciates the commissioner's style and demeanor. She concluded by saying she has really enjoyed working with him.

[1:32:01 PM](#)

REPRESENTATIVE ISAACSON characterized Commissioner Kemp as a "gentle giant." He described his communication style as beneficial. To illustrate, he pointed out the Interior Region must maintain the largest amount of roads that span a huge district. He said the Interior Region sometimes feel "short shrifted" so having excellent communication helps. He also acknowledged that sorting through the railroad crossing maintenance has been helpful to his district. He referred to the requirement for the state rail plan to be updated every five years, which he indicated hasn't been done in twenty years. He asked the commissioner to elaborate on whether the plan will be updated, since it is important to communities.

COMMISSIONER KEMP agreed the state is responsible for rail plans. He agreed that the rail plan hasn't been updated for the twenty years, in part, since the federal funding process was different. In fact, the DOT&PF wasn't required to request Federal Railway Administration (FRA) funds. However, the FRA funds are more "front and center" now and the rail plan currently needs to be updated. He reported the DOT&PF has hired a consultant, met with the two railroads - Alaska Railroad and White Pass Yukon Route (WP&YR) - and has been busy updating the plan. In fact, the DOT&PF plans on extending the WP&YR to obtain access to heavy ore deposits, he said. To summarize, the DOT&PF is working with the railroads to update the document, which he anticipated would result in a good document that the DOT&PF can use for funding purposes.

[1:35:16 PM](#)

CHAIR EGAN indicated at one time he also worked for the DOT&PF. In fact, he has known Commissioner Pat Kemp since 1971, he stated. He recalled when Commissioner Kemp was hired. Although he sometimes disagrees with Commissioner Kemp on issues, he has always found him to be honest, straight-forward, and truthful. He said, "On behalf of my community and our district of Southeast, I'm very proud of you. You'll be a perfect fit."

[1:36:12 PM](#)

SENATOR FAIRCLOUGH asked Commissioner Kemp to describe the most challenging project and also the most rewarding project he's completed.

COMMISSIONER KEMP answered that working as a structural engineer the Douglas bridge project was the most challenging project since it consisted of a prestressed cantilevered bridge, which at the time was the fifth longest span in the world. Although, he has been involved in a thousand other projects since then, the Douglas bridge project remains as the most challenging project he could recall. In further response, he agreed the Douglas Bridge project also represented the most rewarding project for him since it encompassed many challenging aspects. In fact, working on the bridge also led him to become a registered engineer.

[1:37:54 PM](#)

REPRESENTATIVE KREISS-TOMKINS recalled the commissioner hopes to integrate different divisions within DOT&PF and expanded deputy commissioner Yost's role. He asked Commissioner Kemp to describe other actions he will take to "de-silo" the deputy commissioner roles.

COMMISSIONER KEMP answered his team has been together for about a week so he has not yet determined other changes. He characterized the team as "fresh" noting he was appointed commissioner about a month ago. Thus far, the team is working out quite well, he said.

[1:39:22 PM](#)

REPRESENTATIVE KREISS-TOMKINS recalled the committee previously discussed the Marine Transportation Advisory Board (MTAB) and the Alaska Class Ferry (ACF). He acknowledged the respectful apology the commissioner made to the committee, which was well received. He understood the commissioner did not consult with the MTAB since he was unfamiliar with the board. He asked whether the commissioner has any other realms he is similarly unfamiliar with outside of ferries.

COMMISSIONER KEMP responded that he is familiar with all modes of transportation. He stated he has worked with facilities, the AMHS, and aviation during his 30-year career, as well as ferry

terminals. Although he was assigned as deputy commissioner for highways, he did not think it would be a fair assessment to characterize highways as being his only focus since he views his background at DOT&PF as being well-rounded. He acknowledged he is not totally up to speed on the Anchorage International Airport System (AIAS); however, he doesn't think he has an Achilles heel in any division. He offered to further consider this and respond at a later date.

REPRESENTATIVE KREISS-TOMKINS asked what role the commissioner envisions for MTAB.

COMMISSIONER KEMP offered his belief the MTAB will act in an advisory role. He commended Robert Venables as a great chairman and board members as being very involved with the AMHS. He admitted he hadn't known quite how far an advisory board's role extended, but as a result of attending the MTAB's recent board meeting he more fully understands the sensitivities a bit better. He acknowledged the MTAB's advisory role as being different from a board of directors' role.

[1:42:50 PM](#)

REPRESENTATIVE KREISS-TOMKINS recalled the commissioner identified one achievement as the changes made to the Alaska Class Ferry (ACF) project to bring the project under budget and obtain future savings. He understood the design concept report for the proposed shuttle ferries is not yet completed. He compared the proposed 350-foot ACF, engineered at 35 percent and budgeted at \$160 million vis-à-vis the two proposed 280-foot vessels. In fact, the proposed shuttle ferries total 560 feet, which currently are at zero percent engineering. He asked Commissioner Kemp to comment what certainty he has that the revised project will come in under \$120 million given the two proposed shuttle ferries have not yet been designed.

COMMISSIONER KEMP answered that the initial global estimate for the shuttle ferries is \$49.5 million each; however the cost of any vessel is not linear to its length. Once the ACF was discovered over budget, the governor wanted to "chop length" but despite removing amenities the DOT&PF still couldn't get the project under budget. Specifically, the ACF project costs increased exponentially once the mechanicals, crew staterooms, and safety items were added. He reiterated that cost is not a linear formula. In essence, the proposed roll-on roll-off ferry - with an interior similar to a fast ferry that represents a much simpler design - leads to lower operating cost. He

confirmed the DOT&PF's goal is to construct the two proposed ferries for under \$100 million. He reported he will meet with the shipyard next week and anticipates the design concept report will be finished in a couple weeks.

1:46:02 PM

REPRESENTATIVE KREISS-TOMKINS asked for a firmer date for the design concept report.

COMMISSIONER KEMP indicated he initially thought the report would be finished by mid-January. While the DOT&PF has a preliminary draft for the proposed shuttle ferries, the department is currently in the process of reviewing the draft. Although the proposed shuttle ferries currently have an ocean hull design, the main consultant may come back with a slightly different design. He anticipated the design might be similar to the hull design used by the Inter-Island Ferry Authority in Ketchikan. He expressed interest in meeting with the shipyard and the Elliott Bay Design Group as soon as possible.

1:47:03 PM

REPRESENTATIVE ISAACSON made a motion, after reviewing the qualifications of Pat Kemp for the position of commissioner of the Department of Transportation & Public Facilities (DOT&PF), to forward the confirmation of Pat Kemp to the joint session of the legislature for consideration.

CHAIR P. WILSON noted that the motion is on behalf of the House Transportation Standing Committee. She reminded members that signing the report regarding appointments to boards and commissions in no way reflect individual members' approval or disapproval of the appointees, and that the nominations are merely forwarded to the full legislature for confirmation or rejection.

A roll call vote was taken. Representatives Isaacson, Feige, Gattis, Johnson, Kreiss-Tomkins, Lynn, and Wilson voted in favor of confirmation of Pat Kemp as commissioner of Department of Transportation & Public Facilities (DOT&PF). Therefore, the confirmation for Pat Kemp was reported out of the House Transportation Standing Committee unanimously by a vote of 7-0.

1:48:26 PM

CHAIR EGAN asked for motion on behalf of the Senate Transportation Committee.

SENATOR DYSON REPRESENTATIVE made a motion to for the forward the name of Pat Kemp to the full senate to be considered for the office of commissioner of the Department of Transportation & Public Facilities (DOT&PF).

[1:48:36 PM](#)

A roll call vote was taken. Senators Dyson, Fairclough, Bishop, French, and Egan voted in favor of the confirmation of Pat Kemp as Commissioner of Department of Transportation & Public Facilities (DOT&PF). Therefore, the confirmation for Pat Kemp was reported out of the Senate Transportation Standing Committee unanimously by a vote of 5-0.

[1:49:05 PM](#)

The committee took an at-ease from 1:49 p.m. to 1:53 p.m.

KNIK ARM BRIDGE AND TOLL AUTHORITY (KABATA) UPDATE

[1:53:48 PM](#)

CHAIR P. WILSON announced that the final order of business would be the Knik Arm Bridge and Toll Authority (KABATA) update.

[1:53:56 PM](#)

MICHAEL FOSTER, Chair, Knik Arm Bridge and Toll Authority (KABATA), began his PowerPoint presentation by reviewing the mission statement [slides 2-3]. In 2003, the KABATA was created by the legislature under AS 19.75 with the mission to connect the east and west side of Cook Inlet, which is also referred to as the Knik Arm Crossing (KAC). He highlighted that the three parts of his presentation today will consist of population, traffic projections, and the public private partnership (P3) proposal.

[1:55:36 PM](#)

MR. FOSTER referred to the regional population [slides 4-5]. He noted that the 387,516 population totals about 54 percent of Alaska's population, with about 92,000 residents residing in the Matanuska-Susitna area and 296,000 residents residing in the Municipality of Anchorage area. He discussed the 2035

population forecasts, which show the population figures and percent of growth are based on the Alaska Department of Labor projections, Woods & Poole's economic and demographic projections - a third-party independent - Wilbur Smith Associates (WSA), and the University of Alaska's Institute of Economic Research (ISER) projections, which all predict about the same population growth [slide 7]. The 2010 to 2035 figures represent actual population and population projections. This shows the growth in the past 25 years at 140 percent and estimated in the next 25 years at 112.7 percent in the Matanuska-Susitna area. The overall population increased for the region was 44.5 percent in 2010 and is expected to remain at 42.9 percent going forward to 2035.

[1:55:58 PM](#)

MR. FOSTER turned to the historic and projected population trend from 1985 to 2035 [slide 7]. In his recent state of the state address, Governor Parnell indicated that in the past two years Alaska experienced a higher percentage of growth than it has for the past two decades. Of course, population growth drives traffic increases [slides 9-10]. In 1985, Eklutna experienced an average annual daily traffic (AADT) of 15,682 vehicles, which by 2010 had increased to 29,665, and is forecasted to reach 65,000 by 2035. These projections are based on a no-bridge alternative, he said. He contrasted the AADT at Hiland Road in 1985 at 33,555 to traffic in 2010 of 52,824, which is projected to increase to 110,000 by 2035. In fact, currently the Glenn Highway is at design capacity. While this doesn't mean more traffic cannot travel on the highway, it does mean traffic will move more slowly. According to national standards, the traffic counts put the Glenn Highway at capacity at four lanes and at peak flow using six lanes.

[1:58:47 PM](#)

CHAIR P. WILSON asked for any projections on estimated crashes for the Glenn Highway after it goes beyond capacity.

MR. FOSTER answered that crashes would increase; however, to meet the projections the Glenn Highway would have to be expanded to an eight or ten-lane highway.

[1:59:38 PM](#)

REPRESENTATIVE KREISS-TOMKINS asked for the source of the 2035 traffic forecast used.

MR. FOSTER answered that the 2010 traffic counts were based on actual numbers. The 2035 AADT figures were based on the estimated on population model projections. Estimates predict population from Eagle River Bridge north to Eklutna will increase by 74 percent or an additional 37,000 residents. The Matanuska-Susitna Borough traffic projections estimate an additional 100,000 residents will reside north of Anchorage. In further response, Mr. Foster related that the traffic forecast was obtained from KABATA's consultants, Wilbur Smith Associates (WSA) and from the DOT&PF's figures used in its long-range transportation plan.

[2:00:58 PM](#)

MR. FOSTER pointed out the graphics for the Glenn Highway's AADT Counts [slide 11]. He briefly discussed the "no bridge alternative" [slide 12-13]. Currently, the DOT&PF's State Transportation Improvement Plan (STIP) is used to fund projects. Assuming the Knik Arm Crossing project is not built, the DOT&PF would need to find ways to handle northbound traffic from Anchorage. Thus, the "no bridge alternative" means the state must accommodate the potential 60,000 vehicles AADT at Eklutna, assuming by then the Glenn Highway would be a six-lane highway. Additionally, to accommodate the potential 110,000 AADT on Hiland Road would require the Glenn Highway would be eight lanes from South Eagle River to Fifth Avenue in Anchorage. In 2008, the STIP's cost estimates for highway upgrades total \$3 billion, although the upgrades would happen in phases and be based on FHWA funds and the STIP allocation. He reiterated the 2008 cost allocation for the Glenn Highway expansion is projected at \$3 billion, with projections based on estimates by the Anchorage Metropolitan Area Transportation Solutions (AMATS) and from the state DOT&PF's STIP plan.

[2:02:59 PM](#)

MR. FOSTER discussed the bridge alternative for the Knik Arm Crossing [slides 14-15]. In 2003, the legislature established the KABATA. Currently, the Glenn Highway runs north from Anchorage and forks with the Parks Highway heading north to Fairbanks and the Glenn Highway continues on to Glennallen. He pointed out other projects in the area, including the Port MacKenzie Rail Extension, the South Big Lake, and Burma Road projects. He turned to an aerial photo of the project alignment for the KABATA project for the Knik Arm Crossing (KAC) project, which consists of building a 14,000-foot crossing plus adding 18

miles of road. He emphasized that the project is not just the bridge structure, but also the 18 miles of road improvements to the A/C coupler, and eventually would include the Ingra-Gambell connection. Additionally, the project also would include a cut-and-cover tunnel under a Government Hill neighborhood, travels around the backside of the Port of Anchorage, and would cross the Elmendorf Air Force Base (AFB) radar cage installation, past Anderson Bay and connecting to Burma Road.

[2:04:46 PM](#)

MR. FOSTER explained Phase 1 of the private-public-partnership (P3) for the Knik Arm Crossing [slide 17]. He stated that Phase 1 of the project includes a four-lane foundation with a pedestrian and bicycle lane. Phase 1(a) would consist of a two-lane deck to accommodate the initial lower traffic volumes, but the deck could be expanded to a four-lane when needed. He emphasized the foundation will initially be built for the entire four-lane structure. In response to a question, he answered the bridge would span approximately two miles, or 9,000-10,000 feet, with fill abutments. He related that no "water work" will need to be done after the initial construction. He detailed the cut-and-cover tunnel [in Government Hill] would consist of four lanes. This project has been pre-qualified as a National Highway System (NHS) project, with a 44-foot width of actual driving lanes - consisting of a 10-foot shoulder, two 12-foot lanes, and a 10-foot shoulder. Thus, the road would not be closed if an accident happens since it is wide enough to accommodate traffic during construction. He estimated the cut-and-cover tunnel would take approximately four years to construct. He briefly explained the state's agreement in the P3 partnership means the first availability payment would not be due until the bridge is open and available for traffic. He estimated the cost estimates in 2015 dollars, which for Phase 1(a) is \$715 million for a four-lane structure and a two-lane bridge, cut-and-cover tunnel for Government Hill and the A/C [A Street/C Street] connector improvements. He further explained that Phase 1(b) has a cost estimate of \$125 million, which consists of the conversion to a four-lane bridge, but does not include the Ingra-Gambell road improvements.

[2:08:07 PM](#)

SENATOR FRENCH asked who would absorb any project cost overruns.

MR. FOSTER answered the private partner has total responsibility for financing, designing, building, operating, maintaining, and

collecting tolls. The state does not have any risk for any construction cost overruns, delays in schedules, or any other factors related to construction of the Knik Arm Crossing, he said.

[2:08:37 PM](#)

SENATOR FRENCH understood that if the bridge costs three times as much as the projected amount the state would be insulated from the cost calamity.

MR. FOSTER agreed that if the project costs were twice as much or half the cost, the state would be insulated. He characterized it as being similar to the lease payment for a building. The parties agreed to the lease and if it costs more to build the building, the owner must still pay the same lease amount. Thus, the availability payment would consist of the state's obligation to pay once the project is available for traffic. Typically, P3 models come in about ten percent under the estimated construction cost, he reported.

[2:09:59 PM](#)

SENATOR FRENCH said he was under the impression the state was "on the hook" so if the toll revenue did not cover the necessary payment the state would need to make up the difference. He asked for further clarification.

MR. FOSTER answered Senator French is correct that the state is obligated to make up the toll difference. The state's "skin in this game" is that the state owns the toll revenue. He explained that the state must make the availability, or lease payments, to the private partner as part of the initial contract. In the event traffic is low and the toll revenue is insufficient to make the availability payment, the reserve fund would be used to make up the difference. However, the state is insulated in terms of the construction, operation, and maintenance portions of the project regardless of the costs to the private partner. He reiterated the state is insulated from those costs. He confirmed the state's risk or "skin in this game" is the ability to earn sufficient toll revenue to make the contractual availability payments.

[2:11:28 PM](#)

SENATOR FRENCH asked to hone in on the project financing since the Knik Arm Crossing has been the subject of heated controversy

in his district. He related a scenario in which \$1 billion is budgeted for the Knik Arm Crossing project, but the bridge ultimately costs \$3 billion to complete. He asked whether the state would cover tolls up to \$1 billion of the availability payment. He surmised the construction company would want to recover its overrun costs.

MR. FOSTER answered the state has no obligation to the private partner if it costs more to build, operate, or maintain the project. The state's liability and obligation, by contract, would be limited to the availability payment, similar to a lease payment for office space.

[2:12:33 PM](#)

SENATOR BISHOP asked whether the project cost overruns would be between private partner, the bonding company, and the bank.

MR. FOSTER agreed.

[2:12:44 PM](#)

CHAIR P. WILSON said a marine pilot indicated the tides are so strong that it could impact the bridge structure. She asked for clarification on the structural safety.

MR. FOSTER answered that from an engineering perspective nature's concrete or consolidated glacial till is the best material to use. He elaborated that the scour area of Cook Inlet is bathed twice a day by six or seven knot tidal currents; however, the pilings would be embedded in nature's concrete. He emphasized consolidated till is the best material for building pilings and structures. In fact, the project is fully engineered in terms of ice dynamics, seismic loading, currents, scour, and foundation [slide 18]. Additionally, the private partner is responsible to build, finance, and maintain the structure to a certain criteria which means the project must be maintained to the state's level of expectation. After all, the private partner will have 10 percent equity in the project and 90 percent bonding so the company will figure a way to get any problem fixed, he stated. In essence, any design flaw would be passed on to the private partner via the P3 contract, he said.

[2:14:51 PM](#)

MR. FOSTER provided a view of the late season [slide 19]. He explained an oscillated drilled shaft operation and described

the auger process that would be used on the project [slide 20]. He recalled similar use of an oscillated drilled shaft operation used on a DOT&PF project for a highway crossing at the Tanana River. He pointed out one advantage with an oscillated drilled shaft operation is less noise, which is important since endangered species live in the Cook Inlet.

[2:15:59 PM](#)

MR. FOSTER showed an illustration of the project at the foundation wrap up at season 2 [slide 21]. The project would be at the deck installation phase in this depiction, he said.

[2:16:14 PM](#)

CHAIR P. WILSON recalled questions have been raised about the concern that the project lies on an earthquake fault.

MR. FOSTER agreed that most of Southcentral Alaska sits on some type of earthquake fault and seismic activity exists in Alaska, noting the 1964 earthquake in Anchorage. He said engineering focuses on the acceleration factor. He assured the committee the bridge would be built to seismic standards so if the contractor failed to meet the standards, any failure of the structure would fall on the contractor.

[2:17:34 PM](#)

MR. FOSTER compared illustrations depicting an aerial view of Government Hill before and after the proposed project completion [slides 22-23]. He pointed out the location of the former military tank farm at the top of the slide. He reported the status, noting one property still needs to be acquired for the cut-and-cover portion of the project. He related that the KABATA is currently working on acquiring one duplex and the other commercial properties are on railroad leased land.

[2:18:59 PM](#)

CHAIR EGAN asked whether KABATA's change to a cut-and-cover concept on the Government Hill portion of the project has extinguished some resident's fears.

MR. FOSTER answered that an outspoken group does not support the project; however some people do support it. He explained the cut-and-cover tunnel is a mitigation factor intended to reduce

impacts of the project on the community. He acknowledged some concern still exists in the Government Hill area.

2:20:00 PM

SENATOR FRENCH asked specifically where the cut-and-cover bridge will be located.

MR. FOSTER identified the location of the cut-and-cover tunnel, which he described as a \$50 million effort to mitigate the impact of the project on the community. In further response to a question, Mr. Foster answered no, the photograph does not show the Ingra-Gambell Connection; however, it shows the A/C coupler connection in Phase 1(a). Mr. Foster agreed with Senator French that the slide refers to "after Phase 1" and not after the "Ingra-Gambell Phase 2."

2:22:17 PM

REPRESENTATIVE ISAACSON asked for clarification on the location of the cut-and-cover tunnel. He then pointed a four-lane road in the middle of the slide and asked whether this is the location of the cut-and-cover location.

MR. FOSTER agreed that was the location.

2:24:32 PM

MR. FOSTER discussed the Knik Arm Crossing Phase 2, [slide 24], which provides a four-lane upgrade to Point MacKenzie Road and includes the new viaduct connection to Ingra-Gambell Road, with an estimated cost in 2015 at \$276 million; however, Phase 2 is not part of the public private partnership, but would be paid through the toll revenue. In other words, Phase 3 of the Knik Arm Crossing project would not be needed unless sufficient toll revenue and traffic exists, but once it is deemed necessary the toll revenue would cover the construction costs. He characterized Phase 3 as a stand-alone project, but is one that could be added to contract [slide 25]. He described Phase 3 as a natural connection north out of Anchorage.

2:26:17 PM

MR. FOSTER referred to the public-private partnership (P3) [slides 26-27]. He emphasized that the P3 agreement represents a contract between the private entity and KABATA. He reported that KABATA has currently narrowed the contractors down from six

to three highly qualified firms. He said the private partner contractor would be responsible to finance, design, build, operate, and maintain the project over 35 years. He reiterated the length of the contract is for 35 years and the state would not be financing the project.

[2:27:09 PM](#)

MR. FOSTER detailed the P3's risk allocations [slide 28]. Unlike the Red Dog project, the P3 is a true separation - or a corporate veil - between the private and government sector. He emphasized the state's responsibility is toll revenue and if the toll revenue is short the state would still need to make payment. He characterized it as being similar to an office building that is leased at partial capacity, in which the owner must still make the payments on the building. He explained the capacity improvements represent KABATA's responsibilities for the Ingra-Gambell connection and the Point MacKenzie Road project upgrade to four lanes. The private developer would take on its risk and rewards and the state takes on its risk, which is toll revenue, he said.

[2:28:27 PM](#)

CHAIR P. WILSON asked how soon after Phase 1 is completed does Phase 2 need to happen. She offered her belief Phase 2 will be necessary in order to obtain toll traffic volumes.

MR. FOSTER agreed. He clarified the project would begin with Phase 1(a), which is the full build out with a two-lane deck, and as traffic builds and toll revenue increases, the revenue generated would be used to build out Phase 2.

[2:29:33 PM](#)

CHAIR P. WILSON said some people may be concerned that sufficient traffic will not exist without Phase 2.

MR. FOSTER reiterated that the only reason Phase 2 would be necessary is if high traffic exists. Thus as traffic picks up the next two lanes would be built. He acknowledged the A/C coupler is one connection while Ingra-Gambell would also provide an improved connection, especially for access to the Seward Highway.

[2:30:45 PM](#)

CHAIR P. WILSON understood the bridge will initially be a four-lane bridge and as people will use it sufficient tolls provide for Phase 2.

MR. FOSTER answered the bridge foundation would consist of four lanes; however the deck itself is two lanes, which would be expanded as revenue builds Phase 1(b) is built, and subsequently Phase 2 would also be built. He pointed out that the correctional facility is 81 miles from Anchorage - one way - but will only be a 12-mile trip using the proposed bridge. He said the proposed bridge is needed for future growth. He asked members to look at the models, noting the proposed Knik Arm Crossing is necessary to defer the costs. He acknowledged at some point the Glenn Highway might need to be expanded, but substantial growth will occur on the west side of the Cook Inlet. In response to a question, Mr. Foster agreed that the pilings will be strong enough to support a four-lane bridge and the in-water work will be completely finished during Phase 1 of the project.

CHAIR P. WILSON asked whether the additional lanes can be built while the bridge is kept open.

MR. FOSTER answered the private partner has responsibility for bridge construction for Phase 1(a), the two-lane deck, plus Phase 1(b), which consists of a four-lane deck that would be built based on traffic necessity. He indicated if the bridge is shut down for any reason no availability payment will be made. He said the purpose of an availability project is the structure must be available or a penalty will be levied. Thus, he emphasized that it is in the private partner's interest to keep the bridge open for traffic.

[2:33:36 PM](#)

MR. FOSTER turned to the P3 procurement and the shortlisted teams [slides 29-30]. He described the process as a rigorous process, yet all six main firms chose to submit a proposal for the project. He concluded the bids indicate the project is a healthy and mature project. The three shortlisted teams are broken into equity, design-build, operations and maintenance, design, and financial advisor components. He offered his belief the shortlisted teams represent world-class groups.

[2:35:03 PM](#)

SENATOR FAIRCLOUGH asked for the criteria used to determine world-class applicants and if the respondents had previous toll authority experience.

MR. FOSTER described the rigorous procurement process used. He related that the partner had to have the ability for ten percent equity, representing the "skin in this game" that can be lost. The group that reviewed this submittal included representatives from the Department of Revenue, Law, DOT&PF, and KABATA. Finally, the governor's office was informed, he said. He offered to provide the criteria used for the submittal, which was not a standard highway proposal.

SENATOR FAIRCLOUGH said she was interested in the criteria used to create the short list and whether these groups have operated a toll bridge previously, including any financials. She understood due diligence has been performed; however, she would still like the information.

[2:37:30 PM](#)

SENATOR BISHOP referred to the shortlisted teams and remarked one company has built the only bridge across the Yukon River and another is building the Tanana Bridge. He characterized the shortlisted teams as "the best of the best."

MR. FOSTER agreed.

[2:38:13 PM](#)

MR. FOSTER listed Alaskan projects that have been good for the state. He said that Alaska firms are well represented including Alaska Interstate Construction LLC, URS Alaska, LLC, Golder Associates, Inc.; Denali Drilling, R&M Consultants, Inc. [slide 31].

MR. FOSTER reported the procurement process that KABATA will use after the shortlist, which includes a request for proposal (RFP) will be issued in May, proposals will be submitted, an evaluation and selection of the best value proposer will be conducted, and the award and execution of the private partner agreement will occur [slide 32]. He anticipated it would cost each of the three entities or firms \$6 to \$8 million to prepare their proposals. He explained each proposal must include the full design, the financials, maintenance, and operations submittals. He related each firm will also provide its own investigative work. Therefore the proposal includes a

\$2 million stipend that will be paid to the two unsuccessful bidders, provided they meet the criteria for the solicitations. For example, if one of firm submits something that does not meet the criteria, the firm would not be paid a stipend, he said. Finally, he reported that the state will own the design and the submittal and can take the best from the two unsuccessful submittals and roll in into the successful design. He said this aspect will enable the state to purchase the work product for about \$.25 per dollar. He characterized the stipend as being a standard and routine process used in the private sector. In response to a question, he agreed the stipend is \$2 million for each unsuccessful bid.

2:41:14 PM

SENATOR BISHOP recalled each firm must conduct its own investigations. He asked whether this references the due diligence for geotechnical work on the foundation.

MR. FOSTER answered that the state will provide its coastal, tidal, geological, geotechnical, and seismic information. He said the firms could use and supplement the information. He clarified the firms can use or add to the information, which represents the private partner's risk and costs and not the state's risk.

2:41:54 PM

REPRESENTATIVE KREISS-TOMKINS asked if common practice in a P3 agreement to award a stipend to losing bidders and if so, how large a stipend is normally paid.

MR. FOSTER responded it is typical to award stipends in P3 agreements in the private sector, but awarding stipends is a new form of procurement in Alaska. He said stipends can range from a few hundred thousand dollars to more than \$2 million depending on the total project's value and how much information is available. He cautioned that the state would not want to pay five unsuccessful firms a stipend; however, the three short listed firms will spend considerable funds to participate and offering a stipend tends to attract firms. One of the state's advantages is that the state will own the final work product; thus the state pays for a portion of the work product that can be used for value engineering (ve). He said he does not currently have statistical figures but he offered to provide them at a later date. In further response, he agreed to provide the scope of stipends for comparable projects and size.

MR. FOSTER agreed to provide the information to the committee.

2:44:57 PM

SENATOR FAIRCLOUGH remarked that the Alaska Gasline Inducement Act (AGIA) produced a \$500 million payment to receive information that could also be used later. She understood the legislature has tried to look forward and have firms bid on projects, and would acquire and retain that information for future use if the firm is not successful.

2:45:44 PM

MR. FOSTER turned to P3 contract terms, including the scope, term, potential financial and credit support, termination for convenience clause [slide 33]. He explained that \$150 million in funding would be used for the project reserve to make up for the anticipated shortfall as traffic develops for the toll bridge. Additional funding for the Knik Arm Crossing includes \$600 million in SAFETEA-LU private activity bonds (PAB) allocation, and \$500 million in Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). He acknowledged substantial interest has been expressed in the two aforementioned funding sources. He reiterated that the state would not be financing this project. The private partner would apply for the TIFIA loan; however, the state would provide the conduit for it as a public entity and the state would use the \$600 million in PAB and \$500 million in TIFIA. He characterized this as being a moral obligation, which is not debt service related to PAB or TIFIA. For example, what makes TIFIA - which is a MAP-21 program - so attractive is that it helps fund infrastructure. The KABATA was one of the first in line for this first-come first-served program. Currently, the TIFIA application is on hold awaiting the legislature's approval to demonstrate the state's commitment to the project. He described TIFIA's terms as very forgiving, noting although interest accrues a payment is not required during the first five years. This deferred payment would allow the private partner to use the program to fund the project and as toll revenue increases, the availability payment will also increase. Essentially, TIFIA would be worth \$100-\$150 million up-front to the private partner in this model. He emphasized the importance of both TIFIA and PAB as being important to the private developer. Again, the state has no debt service or liability - or cosign liability - in the agreements, he said.

[2:49:06 PM](#)

CHAIR P. WILSON asked whether MAP-21 changes improved the TIFIA program.

MR. FOSTER responded that the newest TIFIA program has about \$17 billion available, ranging from 33 percent to 49 percent based on project eligibility. For example, a developer could apply for a TIFIA loan on a \$1 billion project, which essentially would equate to \$33 million. He said he has a list of states that have applied for the program since December 2012. He recalled that applicants have applied for \$8 of the \$17 billion available. He further recalled KABATA is either first or second on the list. He said he has responded to critic's comments on KABATA's continued TIFIA applications by stating that KABATA must stay in the queue. While KABATA has previously filed a letter of interest to TIFIA, the project is now mature and is shovel ready. Further, TIFIA funds are not based on political criteria of the past, but are now first-come first-served loans. Currently, KABATA has submitted a letter of interest and is on hold, pending commitment from the state to move the project forward, he also said. Additionally, the governor has submitted a letter to the FHWA in strong support of the project. Further, the governor has committed in his capital project for the project. He concluded that KABATA needs TIFIA to move the project forward.

[2:52:41 PM](#)

CHAIR EGAN asked whether the \$600 million for the SAFETEA-LU Private Activity Bonds (PAB) is still available even though the federal funds have lapsed.

MR. FOSTER answered yes. In response to a further question, Mr. Foster agreed the PAB has already been reserved. He related the \$600 million is available for the private partner to apply for and use; however, the TIFIA terms are much more attractive and valuable to the private partner and in turn, for the state since it would equate to lower-cost proposals.

[2:53:47 PM](#)

REPRESENTATIVE ISAACSON asked when allocation for SAFETEA-LU will expire since the program has lapsed.

[2:54:07 PM](#)

KEVIN HEMENWAY, Chief Financial Officer (CFO), Knik Arm Bridge and Toll Authority (KABATA), answered said the SAFETEA-LU established a \$15 billion national cap for private activity bonds (PAB), which will be allocated by the U.S. Department of Transportation for projects until the cap is fully consumed. Thus the funds did not expire with the end of SAFETEA-LU. He concluded the \$600 million is available through procurement and if it is not used by a time certain will be deposited to the pool. He indicated KABATA is the only allocation without an expiration date on the PAB capacity allocation. He anticipated that taking action over next year or two will ensure the benefit of the PAB, which will allow the private partner to borrow tax-exempt funds for public purpose projects with private participation.

[2:55:33 PM](#)

REPRESENTATIVE FEIGE stated that he has a series of questions to ask and KABATA can respond at a later date. He referred to slide [5], to the population growth in region. He suggested the decision to use or not use the Knik Arm toll bridge will depend on the time it takes to either traverse the bridge or use the highway. For example, he said drivers will decide whether it is shorter to go over the bridge or drive on the Glenn Highway. He asked whether the consultants prepared a map including a time analysis to display time differences for the routes. He further suggested that ground zero should be Gambell and Fifth Avenue. He referred to slide 6, to the population growth and asked specifically where the growth will occur. He indicated this specific information has a bearing on the pool of people available to use the bridge and pay the toll. He next referred to slide 13, to options to expand the Glenn Highway, recalling a toll was not considered. He asked for the reason a toll was not considered on the Glenn Highway and whether a Glenn Highway toll would be a reasonable alternative to providing revenue to fund an expansion of the highway.

REPRESENTATIVE FEIGE questioned KABATA's assertion that the state is not financing the Knik Arm Crossing project, finding it somewhat misleading. After all, the state will make the availability payments and is obligated to make the payments whether or not the toll revenue is sufficient to make them. He understood the graduated scale; however, the state assumes the risk. He read, "The primary risk to the state is that tolls will fall short of the availability payment requirement." He asked where the shortfall funds will come from. He offered his belief that the shortfall funds would come from statewide

highway funds for all of Alaska. He asserted the availability payment liability creates a significant and major risk. Finally, he asked what traffic count across the bridge is necessary to have sufficient toll revenue to make the availability payment. He clarified he would like specific numbers. He recalled the comparison on the Glenn Highway and how it directly relates to projected population in 1985 and 2010. He characterized it as a direct correlation since as population increases it results in an increase in passenger counts on the Glenn Highway. After all, if the passenger counts are split, it is important to know how many people need to use the bridge to make the availability payment and whether sufficient population will exist. He remarked he is suspicious the population increases will not happen since it is notoriously difficult to predict population growth. He concluded population shortfalls represent a significant risk for this project and to the state's finances.

2:59:40 PM

SENATOR FRENCH asked to add to the excellent questions posed by Representative Feige. He offered his belief the state does not adequately assess risks on its projects by identifying what could go wrong on government projects. He related a scenario in which one assumption is that the Knik Arm Crossing comes in on target, but no traffic uses the bridge. He asked for the amount of the largest payment necessary using this worst case scenario.

MR. FOSTER suggested his subsequent slides will answer this question as well as some of Representative Feige's questions. He said he does have the specific information. He pointed to the termination clause in the P3 contract that will allow the state to terminate the contract for convenience, or to pay it off and take over the project.

MR. FOSTER turned to why the reserve fund is needed [slide 34]. He indicated this is similar to a line of credit that is paid back. Secondly, the reserve fund will cover forecasted revenue shortfalls during early year ramp-up period. Finally, the reserve fund will reduce the availability payments by reducing the cost of capital. He offered to provide the committee with answers to Representative Feige's questions.

3:02:00 PM

SENATOR FAIRCLOUGH asked who will negotiate the availability payment, or lease payment - the state's "skin in this game."

Additionally, she further asked at what point is the full faith and pledge of the state made. She expressed her preference to have written responses rather than have Mr. Foster answer the questions today. Additionally, she also asked for the decision-making point of contract capacity and whether the contractor or KABATA determines this or if the state is involved. She clarified she is asking whether a criterion is built into the contract to make it a state obligation to build.

[3:03:16 PM](#)

MR. FOSTER related the KABATA has projected obligations and toll revenues [slide 35]. He said the graph represents a 45-year model, showing the P3 contract's 35-year duration. He explained this is based on the base-case traffic models. He pointed to the initial years in terms of the reserve draw to make the availability payments. Secondly, the Phase 1(b) project would be built. He said traffic generated revenue is depicted and after ten years the state's total net surplus is estimated at \$2.2 billion. He pointed out that any net revenue from this project can be used for Title 23 services statewide. He reiterated that the dividends will come back to transportation fund or another mechanism to be used for projects, including the AMHS, bridges, roads, or harbors. He summarized the advantage of the Knik Arm Crossing project is the ability for a project to generate income for future transportation projects in Alaska [slides 37-38].

[3:04:56 PM](#)

MR. FOSTER turned to Senator French's questions. He said the governor's office requested "sideboards" so the KABATA provided the worst-case model, and this model - with a five percent likelihood of happening - depicts traffic significantly under projections. If that happened the amount of the state expenditures over 35 years would total \$777 million; however, the estimate shows that less than ten years later the state will earn \$900 million in net revenue after repaying the reserve. In essence, he reported the worst case scenario is that in 35 years the state has a five percent likelihood of making the base case, but the state still comes out whole with net surplus ten years after the concession is over. He said KABATA went one step with another scenario - again, a five percent chance of happening - by assuming a termination event occurs in 2031. He characterized this as being the worst point for a termination event since Phase 1(b) would have just been completed, but traffic has not yet built up for the toll. He reiterated the

worst case would mean the state must buyout the concession at \$1.14 billion in 2031, which includes the funds deposited to the reserve. Thus, using this worst case scenario, the buyout plus the termination exposure would mean a \$960 million check, plus the reserve funds.

SENATOR FRENCH thanked Mr. Foster, noting the state would own the bridge at that point.

MR. FOSTER stated that the state would invest approximately \$30 million a year if it needed to terminate the concession in 2031. He reviewed the benefits for Alaskans [slides 37-38]. He reported the proposed project would generate 1,500 jobs for the four-year construction period and provide savings in freight, drivers' costs, fuel savings, and emissions. Additionally, he stated it represents an alternative to the Glenn Highway and would provide additional access to commercial land on the western side of Cook Inlet, closer to the Goose Creek Correctional facility. Further, the project would support Port MacKenzie and the Port of Anchorage. Finally, the project would provide the first access to western Cook Inlet. As an aside, he reported 47 percent of the Kenai Peninsula Borough (KPB) lies on the west side of Cook Inlet. The project lies 28 miles from the road system supporting the Beluga area, which points to a R2R benefit. He also reported the DOT&PF has been tasked with developing an overview and route selection to connect the west side of Cook Inlet to this project.

[3:08:49 PM](#)

MR. FOSTER said Alaskans recognize the bridge's value and a tremendous number of them support the bridge [slide 40]. He explained the figures for rural Alaska, the Interior, and Southcentral Alaska were derived from Dittman Research.

[3:09:15 PM](#)

MR. FOSTER concluded his presentation with a short video [slide 41].

[3:10:49 PM](#)

ADJOURNMENT

There being no further business before the committees, the joint House and Senate Transportation Standing Committee meeting was adjourned at 3:10 p.m.