

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

January 30, 2014

1:03 p.m.

MEMBERS PRESENT

SENATE TRANSPORTATION

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

HOUSE TRANSPORTATION

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

MEMBERS ABSENT

SENATE TRANSPORTATION

Senator Hollis French

HOUSE TRANSPORTATION

Representative Lynn Gattis
Representative Craig Johnson

OTHER LEGISLATORS PRESENT

Representative Geran Tarr
Representative Shelly Hughes
Representative Harriet Drummond

COMMITTEE CALENDAR

ALASKA STATE RAIL PLAN UPDATE, HAINES RAILROAD STUDY AND G7G;
ARMY CORPS OF ENGINEERS UPDATE ON ARCTIC PORTS

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

MURRAY WALSH, Special Assistant to the Commissioner
Department of Transportation and Public Facilities (DOT/PF)
Juneau, Alaska

POSITION STATEMENT: Presented information on the Alaska State Rail Plan (ASRP) Update.

BRUCE CARR, (former) Director
Strategic Planning
Alaska Railroad Corporation
Anchorage, Alaska

POSITION STATEMENT: Commented on the Alaska State Rail Plan.

MATT VICKERS, CEO & Partner
Generating for Seven Generations (G7G)
Vancouver, BC

POSITION STATEMENT: Presented information on the "All Commodity Rail Transport to and from Northern Pacific Tidewater."

LEN WILSON, Managing Director & Partner
Generating for Seven Generations (G7G)
Vancouver, BC

POSITION STATEMENT: Presented information on the "All Commodity Rail Transport to and from Northern Pacific Tidewater."

LORRAINE CORDOVA, Economist & Project Technical Lead
U.S. Army Corp of Engineers
Anchorage, Alaska

POSITION STATEMENT: Presented information on the Alaska Deep-Draft Arctic Port Study.

ACTION NARRATIVE

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CHAIR DENNIS EGAN called the joint meeting of the Senate and House Transportation Standing Committees to order at 1:03 p.m. Present at the call to order were Senators Dyson, Fairclough, Bishop, and Chair Egan, and Representatives Kreiss-Tomkins, Lynn Isaacson, Feige, Johnson, and Chair Wilson.

**Update: Alaska State Rail Plan; Haines Railroad Study and G7G;
Army Corps of Engineers: Update on Arctic Ports**

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CHAIR EGAN announced that the order of business would be updates on the Alaska State Rail Plan (ASRP) and the G7G Northern Rail to Tidewater Plan, as well as an update on Arctic Ports.

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MURRAY WALSH, Special Assistant to the Commissioner, Department of Transportation and Public Facilities (DOTPF), Juneau, Alaska, presented information on the Alaska State Rail Plan (ASRP) update. He said that DOTPF has been working for over a year on the ASRP update. The last time an update was done was in 1990, shortly after the state acquired the Alaska Railroad.

CHAIR WILSON noted the arrival of Representative Lynn and the presence of Representative Hughes and Representative Drummond.

MR. WALSH highlighted the purposes for having the ASRP: to set forth state policy, to present priorities and strategies to enhance rail service, and to serve as the basis for federal and state rail investments. He addressed the reasons why DOTPF is involved with the ASRP. Alaska statutes assign DOTPF the responsibility to plan for all modes of transportation. There is more than one railroad in the state. The movement of freight and passengers involves more than just a railroad. It makes sense to have DOTPF involved in ASRP planning.

CHAIR EGAN noted that Bruce Carr was online.

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MR. WALSH cautioned that the plan is not an Alaska Railroad Corporation plan. He described the project as a higher level of planning and a public undertaking. The State Rail Plan is part of the state's transportation plan. The needs of both the Alaska Railroad and the White Pass & Yukon Route are identified in the plan.

He said the State Rail Plan must be coordinated with the State's Long Range Transportation Policy Plan. In September of 2013, the Federal Railroad Administration (FRA) released new guidance for preparing state rail plans to which DOT intends to comply. There are two federal agency fund sources, FRA and the Federal Transit Association (FTA). He stressed the importance of maintaining a professional planning relationship with those two agencies.

MR. WALSH explained that the State Rail Plan established advisors made up of a steering committee, a technical advisory group, and a project team. The steering committee has met twice so far. The technical advisory group consists of 26 people from the private sector and government agencies. On the project team, HDR from Anchorage is the lead contractor.

MR. WALSH showed a map of Alaska's Current Rail System. The White Pass Route only provides service from Skagway to the border of Canada for cruise ship passengers.

CHAIR EGAN asked if there is a rail corridor all the way to Whitehorse.

MR. WALSH said there is a corridor, but the track is not all intact to Whitehorse.

SENATOR DYSON inquired if freight is being hauled on the White Pass Route and whether there are plans to install a third, standard-gage rail.

MR. WALSH clarified that there is no freight moving on that line; it is an excursion line. There was an effort initiated by Eagle Resources to begin freight movement in order to re-refine and transport tailings from the Whitehorse Copper Mine. White Pass declined to do so.

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Representative Drummond asked if the White Pass Route only operates during tourist season.

MR. WALSH said yes.

MR WALSH turned to Alaska's vision for railroads. He said the vision adopted by the steering committee reflects a change in Alaska's attitude about railroading, in general. When the state bought the railroad in 1985, the situation was dire. There was a belief that the federal government was going to abandon the railroad. The original legislation, which was involved in buying the railroad, specified that the railroad had to attempt to sell itself to a private party and report to the legislature every five years. That has changed.

CHAIR EGAN announced the arrival of Senator Bishop.

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MR. WALSH continued to say the vision today is to foster growth and trade, build prosperity, connect and support communities, and provide safe and efficient freight and passenger services coordinated with other transportation modes, regionally and internationally.

He shared the past history of the rail. The rail has played an important role in the development of Alaska's economy and in national defense: military transport, construction and resource development (TAPS), passenger service, transport of hydrocarbon and petroleum products, transport of natural resources, such as coal and gravel, and supply of building materials, equipment, and other commodities.

He detailed the present planning for the rail. Rail volumes and revenues, along with industrial activity, have decreased since 2005. The Port MacKenzie and Northern Rail extensions are under construction. There continues to be a need for external financial support for major safety and efficiency improvements. The public would like commuter service.

MR. WALSH showed a graph of the Alaska Railroad freight operations between 2005 and 2012. Both gravel and bulk petroleum have declined, but coal has remained relatively stable. He predicted that freight would increase in the near future.

He spoke of the future of the rail. He indicated that the industrial renaissance Alaska has been preparing for is finally happening for shale, oil, mining, LNG, coal, and natural gas. He said the state is going to need more rail service. The Port MacKenzie and Northern Rail extensions are complete and fully operational. There is demand for rail commuter service in Southcentral Alaska that would link the Mat-Su Valley with Anchorage.

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REPRESENTATIVE DRUMMOND recalled a project fair in 2008 where the Alaska Railroad made a presentation regarding a commuter rail plan that requires cooperation between Anchorage and Wasilla. It would be 52 minutes from Wasilla to downtown Anchorage. They currently have one commuter rail car but need two more to provide adequate service. They also need to determine the distribution of rail riders at each rail end, such as park and ride or a bus transit system. She said this plan has been ready to go for at least five or six years, but lacks investment.

MR. WALSH pointed out that the State Rail Plan intends to update that commuter plan. He added that "the railroad is growing evermore ready to engage in commuter service." There is another major improvement called the Wasilla Realignment that would make a big difference in how fast commuters could be transported to downtown Anchorage and would eliminate five "at grade" intersections. He noted that at grade intersections continue to be the biggest local-level issue with the railroad.

REPRESENTATIVE DRUMMOND inquired if the Wasilla Realignment is the next step in track straightening. She recalled that in 2008 all the track straightening planned had been done.

MR. WALSH noted there are other track-straightening projects, as well. The Wasilla Realignment solves the worst curve on the line. The railroad has required the right-of-way that was needed. It is a \$37 million project, as of two years ago. He mentioned a need for more capital investment money. He explained that what is required is a regional transit authority consisting of an agreement between Anchorage, the Mat-Su Borough, and the state. There is no statutory authority for it yet and is a necessary requirement for a commuter rail system.

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MR. WALSH described the State Rail Plan's future direction. It includes making sure the railroad is available to support the future context and to identify defensible means to evaluate and enable new rail lines. He listed the Plan's goals: promote economic development, maintain systems, support the rail's role in international exports, emphasize interconnectivity with other modes of transport, increase passenger rail service, and support safe and environmentally responsible rail operations.

MR. WALSH highlighted the State Rail Plan objectives. The first objective relates to passengers. Currently, there is inner city passenger service, but the plan sets out to develop a Southcentral regional transit organization. This would require legislation and new equipment. The plan would include Anchorage International Airport in regular public rail passenger service. It would maintain passenger equipment in a continuing state of good repair. It includes a complete realignment of the Wasilla track and a higher speed track for commuter trains. It would also support connectivity with other transit options.

He turned to the State Rail Plan freight objectives. He stressed the importance of increasing rail carrying capacity to the

emerging U.S. standard of 315,000 pounds per car. That would open rail use to more freight options in Alaska.

He addressed the capital improvement context of the State Rail Plan. He noted that Positive Train Control (PTC) should improve safety, but at a substantial cost. He highlighted the need for additional investment in track, depots, and equipment needed to operate commuter trains.

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REPRESENTATIVE ISAACSON asked why Alaska Railroad Corporation freight operating levels are lower.

MR. WALSH explained that freight revenues have trended lower over the last several years. There were upticks in 2013, which he said causes him to be optimistic.

REPRESENTATIVE ISAACSON asked what type of capital improvements would improve freight operating revenues. He wondered if extensions or upgrades would.

MR. WALSH replied that what would increase freight revenues the most would be enabling the line to carry double-stacked containers by enlarging the tunnels between Whittier and Fairbanks. What has to happen is the Portage Tunnel's roof has to be raised; the Whittier Tunnel is already tall enough.

He pointed out that certain routes, Wasilla, North Pole, and Nenana realignments, cost a lot of money and don't make money or add customers for the railroad; they make it safer and more efficient, which the State Rail Plan supports.

REPRESENTATIVE ISAACSON noted the capital projects were listed next in the presentation.

REPRESENTATIVE DRUMMOND shared a personal story about driving through the Whittier Tunnel on the way from Anchorage to Whittier. She said she noticed how high it was. She asked if the Portage Tunnel is closer to the Seward Highway and is used only for rail, not for passenger vehicles.

MR. WALSH said that was correct.

REPRESENTATIVE DRUMMOND asked how long the Portage Tunnel is. She recalled the Whittier Tunnel is much shorter.

MR. WALSH responded that the Portage Tunnel is much shorter, less than a mile, and would be cheaper to expand than the Whittier Tunnel.

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MR. WALSH continued to explain short/near-term capital projects. He reported that an upgrade of docks in Whittier and Seward would add capacity and would have the potential to add revenue. He reiterated that at-grade crossings are the single biggest safety issue.

CHAIR WILSON asked what "at grade" means.

MR. WALSH explained that at grade means a junction where a road and a railroad meet at the same grade.

He discussed the mid-to-long-term capital projects included in the State Rail Plan. He highlighted rail service to the Yukon as a resource opportunity. He showed a map of the Haines Rail Study. In the Alaska Canada Rail Link Study all routes were evaluated for their economic viability as railroad extensions. There are four places in British Columbia where the Canadian Rail system ends. Of all those lines, the Skagway/Haines link to Carmacks had the most economic potential due to the Crest Iron Ore Deposit in the Northeast Yukon, one of the world's largest iron deposits. It could produce 28 million metric tons per year, 76,000 metric tons per day, equaling seven trains a day. The Haines Rail Study is being done by the City and Borough of Haines.

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MR. WALSH reported on long-term capital projects: an extension to the North Slope, an extension to Canada, and an extension from the Yukon River to Nome. He said, "There is a pretty good case to be made that it would have been far better for Alaska had we extended the railroad to Deadhorse when we built the pipeline to begin with."

He described the State Rail Plan preliminary draft policy recommendations: plan for and reserve corridors, prioritize and commit to capital project assistance, authorize regional transit organizations, which would need legislative action, and pursue rail service extensions.

He concluded with the next steps in the State Rail Plan. A draft plan that conforms to federal regulations will be available in

the spring of 2014. There will also be on-line open houses featuring preliminary findings and the draft plan.

CHAIR EGAN thanked Mr. Walsh for his presentation.

SENATOR BISHOP noted that general freight began to increase in 2011. He asked if general freight includes drill casings.

MR. WALSH said yes.

SENATOR BISHOP predicted that the general freight would trend upward. He said there was a period where the amount of drill casings shipped north decreased from 100 million pounds to 66 million pounds. Every indication shows that the amount of drill casings shipped will increase.

He brought up the new hard aggregate in the Cantwell area and the possibility of new rail service there. He requested more information on that issue.

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CHAIR WILSON noted Representative Tarr has joined the committee.

REPRESENTATIVE FEIGE commented on the hard rock aggregate in the Cantwell-Healy area which could be used to make roads more weathering-resistant. There is a suggestion to build a spur line to facilitate loading a gravel train closer to the deposit. Currently, the aggregate is being trucked a fair distance. He asked if that project was on the capital project list.

MR. WALSH offered to find out. He noted the railroad is currently shipping gravel from Kantishna.

REPRESENTATIVE FEIGE suggested Mr. Walsh talk to Ahtna Regional Native Corporation, the owner of the mineral resource.

CHAIR EGAN asked Bruce Carr if he had anything to add.

BRUCE CARR, (former) Director, Strategic Planning, Alaska Railroad Corporation, Anchorage, Alaska, commented on the Alaska State Rail Plan. He thanked Mr. Walsh and his team for the effort they have put forth into developing the State Rail Plan.

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CHAIR EGAN introduced the next topic, G7G - Northern Rail to Tidewater.

MATT VICKERS, CEO & Partner, Generating for Seven Generations (G7G), Vancouver, BC, presented information on the "All Commodity Rail Transport to and from Northern Pacific Tidewater." He introduced himself.

LEN WILSON, Managing Director & Partner, Generating for Seven Generations (G7G), Vancouver, BC, presented information on the "All Commodity Rail Transport to and from Northern Pacific Tidewater." He introduced himself.

MR. VICKERS, as a hereditary leader, acknowledged the traditional territory in Alaska. He recalled the history of his people's involvement with the naming of Generating for Seven Generations (G7G). He listed the partners of G7G.

CHAIR EGAN noted the arrival of Senator Fairclough.

MR. VICKERS discussed his involvement with the original stewards of the land and the conflict between energy needs and the environment. He said the idea to preserve the coast from pollution generated the idea of having a rail transportation method. He shared the process of involving all First Nation players in the project.

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MR. VICKERS said that up until 2011 the project was just a vision. Involvement with AECOM facilitated the vision becoming a real project. AECOM did a scoping document for the government of Alberta to confirm the viability of the rail project. Based on \$1 million of bituminous export per day from Fort McMurray, the rail project was found to be viable.

He spoke of government support for the project. He noted one of the first to voice support was the Mayor of Fairbanks, Luke Hopkins. Governor Parnell expressed support, as did the Yukon Territory. Alberta was the first government to contribute funds - \$1.8 million - and British Columbia's support is still pending.

He described the Canadian federal government support in the form of a letter from Joe Oliver, Minister of Natural Resources. It is expected that they will provide funds for a feasibility study. Saskatchewan, Northwest Territory, and U.S. federal government have not been approached to date.

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MR. VICKERS noted an April 30, 2013, letter to G7G from the Government of Alberta. It indicated that it had provided a grant of \$1.8 million to the Van Horne Institute, which was heavily involved in the original studies of 2005 and 2007. The grant allows the Van Horne Institute to work with Michigan Tech, the University of Alaska, Fairbanks, and other organizations or companies involved in the feasible study.

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He discussed the G7G Railway Corporation's map of the project. The original map from 2011 was not the same. AECOM produced the current version of the route. Instead of going directly from Fort McMurray to Peace River, in order to keep the railroad at a 1 percent grade or less, the route now goes up to High Level and on to Fort Nelson. If the Alaska Rail goes to Delta Junction, the G7G rail will join it there where it can offload bitumen from the Alberta Oil Sands into TAPS, bringing the pipeline back up to capacity.

He mentioned other spurs being considered; Fort Saskatchewan, Peace River, and Northwest Territories.

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REPRESENTATIVE FEIGE asked if the scoping document was based on 1 million barrels of bitumen per day.

MR. VICKERS said yes.

REPRESENTATIVE FEIGE questioned if that was the number of barrels produced or the number to inject into TAPS. He asked if diluent would be needed for injection.

MR. VICKERS pointed out that the feasibility study will provide that information. He emphasized that full funding is needed in order to complete the feasibility study.

He highlighted mineral opportunities. Michigan Tech and the University of Alaska are working on the mineral aspect of the pre-feasibility study, which should be done by the end of March. The goal is for the rail to be "all commodity" and so the study will include minerals and bitumen from Alberta.

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CHAIR WILSON asked what the dotted lines on the map represent.

MR. VICKERS replied that they show possible spur lines. Currently, the focus is on the main line.

He continued to discuss mineral exports. On an earlier presentation, it showed that the rail from Watson Lake came down to Hazelton; now it will go to Stewart. G7G is trying to coax the BC Government to participate financially with both the pre-feasibility study and the feasibility study. Spur lines to Haines and from Tok to Port MacKenzie also have tidewater access and provide back haul opportunities. The port of Valdez would be the end point for bitumen from Alberta.

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MR. VICKERS remarked that the key to the G7G project is to ensure that social license is in place from the beginning. He used the example of the difficulties Enbridge's is having with their pipeline gateway by not addressing social license first; coming to the communities first and applying for permits and licenses after that. He stressed the importance of the "Duty to Consult and Accommodate" with respect to the Native Alaskans and the First Nations.

He described the methodology of community consultation when working with the First Nations on the Plutonic Power Project. That methodology is used as a Best Practice in consultation accommodation.

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MR. VICKERS described the benefits of this project for First Nations: the recognition of rights and title, respect and early engagement, good relationships, equitable partnerships, and employment opportunities. He said 50 percent of the equity will go to the First Nations along the route.

He shared information about aboriginal alliance stakeholders. From Athabasca oil sands Nations, all of the Treaty 8 in Northern Alberta, Northeastern British Columbia Nations, Kaska Nations, Yukon Nations, to six villages from the border to Delta Junction, G7G contacted stakeholders. All 633 chiefs in Canada signed a resolution of support for the project. The indirectly affected were also included.

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REPRESENTATIVE TARR asked if there were any problems working with two different countries.

MR. VICKERS stated that all entities are treated equally.

He noted territorial boundaries of the First Nations.

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MR. VICKERS described the benefits of the project for Canada. The project would unlock the bottleneck for transporting Canadian oil, minerals, and other commodities to offshore markets, an accelerated increase of royalty and tax revenues, the economic hauling, export, and import of all commodities, an increase in long-term and permanent employment, and a positive impact on stakeholder relationships.

He listed the benefits of the project for Alaska: connect to the rail network of North America, specifically the Lower 48 states, enhance utilization of infrastructure (TAPS, ports, etc.), economic hauling, export, and import of all commodities, accelerated increase of royalty and/or tax revenues, an increase in long-term and permanent employment, and a positive impact on stakeholder relationships.

MR. VICKERS presented the project timeline beginning with the strategic plan to project construction. In October 2011, AECOM developed the strategic plan and scoping document and G7G received \$1.8 million from the Government of Alberta. From there, AECOM immediately entered into the pre-feasibility study. Next is the comprehensive feasibility study which entails developing a business plan to give to the three perspective funders who have said they can fund the project for up to \$25 billion. He called it a very aggressive schedule. The federal government in Canada has said it is stepping up the approval process. Project approval will be followed by a bankable business plan and then two years of project construction.

He said the equity partners are First Nations for 50 percent equity and AECOM at 10 percent equity. Forty percent is available to like-minded investors. He concluded that G7G is excited about the forward progression of the project.

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He spoke of other opportunities like project manager, shipper contracts, rolling stock, operations and maintenance, commercial agreements, and material supply.

CHAIR EGAN thanked Mr. Vickers for the presentation

REPRESENTATIVE ISAACSON expressed excitement about both projects because of the ability they bring for connections between countries and communities. He pointed out that the project

depends greatly on Alberta Tar Sands. He asked what would happen if Keystone is built.

MR. VICKERS said he has been asked that question as it relates to a number of proposed projects. He maintained if all those pipelines went ahead, they would be filled to capacity within 15 years and "still need extra." He also noted that a pipeline can only ship one commodity, whereas a rail can ship every commodity.

REPRESENTATIVE ISAACSON referred to a map of mineral resources located in First Nations lands. He noted Canada has given territories and provinces control of their land, unlike the United States. He inquired as to how much traction there is for mineral development in the corridor or whether there is reluctance by property owners.

MR. VICKERS replied that a key element, especially in the Yukon, is the number of investors that have leases, but find it far too costly to get their product to market. He predicted the rail will be a game changer overnight. A number of mining operations are getting more excited about the project.

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REPRESENTATIVE FEIGE commented that many schemes have been presented to the legislature over the years. He asked to see the scoping document and the pre-feasibility study.

MR. VICKERS said the pre-feasibility is still out and will be available to the Alberta Government by the end of March.

REPRESENTATIVE FEIGE asked if there has been a discussion with TAPS about the \$1 million barrels of bitumen. He maintained that that amount would not go into TAPS. He suggested running the rail to a port facility in Valdez or pre-refining the bitumen.

MR. VICKERS noted there has been some discussion with TAPS otherwise the plan would not have gotten this far. He understood that TAPS was designed for 1.8 million barrels per day. He said he appreciates the information.

MR. WILSON added that part of the study examined how close the rail could get to Valdez.

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CHAIR WILSON asked which minerals are shown on the map and whether the provinces and mining companies have offered funding.

MR. VICKERS said he could not name the minerals; Michigan Tech and the University of Alaska are involved with that portion of the study. He said G7G did contact mining associations and chambers of commerce, but they are slow coming to the table.

SENATOR BISHOP said he has been to Canada frequently and is impressed by their large vision. He thanked G7G for the presentation and wished them the best of luck.

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CHAIR WILSON asked how many mines are in British Columbia.

MR. VICKERS offered to provide that information to the committee.

MR. WILSON said the corridor has numerous mines and, if 1 out of every 800 go through, there will be a billion dollars' worth of revenue.

REPRESENTATIVE HUGHES asked for the length of the whole rail route and the Alaska portion, and how much each costs.

MR. VICKERS explained that the whole rail is roughly 1,600 miles; the Alaska portion is about 240 miles. He said AECOM estimated it would cost between \$12 billion and \$13 billion. The pre-feasibility study predicts the single tracking would cost about \$15 billion and twin tracking would be close to \$20 billion.

MR. WILSON added that a lot more emphasis was put on Capex, so G7G was not surprised at the larger number. For every three billion dollars, it only raised the tolling charge one dollar. It brought safety, operation, and maintenance way down.

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REPRESENTATIVE ISAACSON related that positive train control (PTC) is important in the United States. He asked if G7G has included a PTC component into the study, due to the possible transportation of passengers, and whether that component affected cost.

MR. WILSON said the project is "purpose built" and uses all technology available at the onset.

CHAIR EGAN thanked the presenters.

He acknowledged the presence of Commissioner Kemp.

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CHAIR EGAN welcomed Ms. Cordova.

LORRAINE CORDOVA, Economist & Project Technical Lead, U.S. Army Corp of Engineers, Anchorage, Alaska, presented information on the Alaska Deep-Draft Arctic Port Study.

MS. CORDOVA related that the Alaska Deep-Draft Arctic Port Study is a subset of the Alaska Regional Port Study and a 50/50 cost-shared study with the Department of Transportation and Public Facilities (DOTPF). She addressed reasons for needing the Arctic Port Study. In 2008 and 2010 the Army Corp of Engineers, with DOTPF held two conferences, one on harbor infrastructure becoming a part of the state's transportation improvement plan (STIP), and the second on marine infrastructure needs.

CHAIR EGAN noted the arrival Representative Herron.

MS. CORDOVA said that the second conference resulted in a list of 1,600 projects and the list was provided to the various regions to be included on STIP. She described a planning charette held in May of 2011 that included the Coast Guard, Navy, Marine Exchange, DOTPF, Army Corp of Engineers, and other governmental agencies, to address deep-draft needs across the state. The charette produced a project need statement regarding the increase of traffic and lack of ports in the Arctic.

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MS. CORDOVA shared the study authority which allows the Corp of Engineers to work in Alaska. The Alaska Deep-Draft Arctic Port Study was initiated in December of 2011 with an amendment to the original contract.

MS. CORDOVA showed a map of the study area, which is over 3,000 miles. The committee realized that one deep water port was not enough for the Arctic area. At the time, the Northern Water Task Force had just released a draft of their report on recommended sites. In addition to the Northern Water Task Force site, two other sites were added to the list of sites from the Roads to Resources Program. There were 14 sites to begin with, and the committee had to choose one in order to start the feasibility study.

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MS. CORDOVA described the site selection criteria and listed the primary criteria for the evaluation of each site's physical suitability as a deep-draft Arctic port: the port's proximity to the mission - oil and gas or mining, intermodal connections, upland support - hospital, groceries, (population), natural water depth at minus 35 feet and minus 45 feet, and navigation accessibility (wind, wave, and ice data).

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She addressed the site shortlist. The committee assigned values to all 14 sites for all purposes and all criteria, using equal weights. Under that scenario, Nome, Port Clarence and Cape Darby came out ahead. When looking at oil and gas site locations and the minus 35 foot depth, Nome, Port Clarence, and Barrow came out ahead. When evaluating for proximity to mining sites and a water depth of minus 45 feet, Nome, Cape Darby, and Port Clarence appeared. It became apparent that Nome and Port Clarence would be able to support multiple kinds of economic activities.

MS. CORDOVA showed a map of the study area on the Seward Peninsula where Nome and Port Clarence are located. She shared the problem statement that came out of a planning charette in Nome in April of 2013. Residents of Nome, Teller, and Brevik Mission were invited, as well as Fish and Wildlife Service, EPA, Crowley, Bering Marine, Arctic Liaison, DNR, DOT, and the Corp of Engineers. They met for a week and came up with a problem statement: "Increased vessel traffic coupled with limited marine infrastructure along Alaska's Western and Northern shores poses risks for accidents and incidents, increases response times for Search and Rescue, and requires international coordination."

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She highlighted a list of opportunities that could be addressed while meeting the mission of the problem statement: develop local and regional economies, decrease the cost to exist in the Arctic, improve cooperation and sharing between Nome, Port Clarence, and Teller, provide protected moorage to support offshore oil and gas endeavors, fishing fleet, and resource extraction vessels. Also, provide vessel repair and maintenance support, improve international relationships, increase U.S. exports, optimize economic benefits while preserving natural resources, raise awareness of U.S as an Arctic nation, and provide upland support to vessels. She stressed the key opportunity to raise awareness of the United States as an Arctic Nation.

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She shared the initial array of eight alternatives for ports on the entire Seward Peninsula; Nome, Cape Riley, Point Spencer came up most frequently. At this point the process had 23 alternatives.

She showed a map of the communities: Lost River Mine, Brevig Mission, Teller, Cape Riley, Point Spencer, Graphite Creek Mine, Rock Creek Gold Mine, and Nome.

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MS. CORDOVA explained Arctic traffic trends. She said vessel traffic has increased from 2008 to present in the Northern Sea Route. There were 71 vessels in 2013 that carried about 1.4 million tons of cargo. It is projected that Arctic traffic in the Northern Sea Route will increase 30-fold over the next eight years.

She pointed out that vessels going on the Northern Sea Route or on the Northwest Passage need to go past Alaska shores. Canada and Russia are building infrastructure currently, whereas the United States is not. She compared vessel traffic in the Arctic to that in the Panama Canal, which had 14,000 vessel passages. She said even in eight years, vessel traffic is predicted to be only ten percent of what goes through the Panama Canal. She listed the advantages of the Northern Sea Route over the Panama Canal.

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MS. CORDOVA showed a map that depicts what 800 miles looks like, comparing Dutch Harbor to Port Clarence in Alaska to a Seattle-California distance and to a New York-Jacksonville distance. She noted had the Shell support vessels in 2012 been able to forward station out of Port Clarence instead of Dutch Harbor, they would have saved 800 miles in travel.

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MS. CORDOVA reported on the Nome proposal, which will accommodate line haul fuel barges, ice breakers, cargo barges, tankers, Coast Guard cutters, NOAA research vessels, landing craft, and tugs. It will extend the existing causeway 2,150 feet, demolish the existing spur breakwater, and construct a 600-foot concrete caisson dock. It would connect the City Dock and the West Gold Dock and dredging would take place. Disposal will probably be used for beach nourishment.

She showed an overhead view of the Port of Nome and described the dock plans, and showed another view as it currently exists. She noted lack of harbor space and said that last year there were 150 days where barges were waiting offshore to unload cargo.

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MS. CORDOVA highlighted the Point Spencer proposal which will accommodate line-haul barges, tugs, ice breakers, oil and gas support vessels, and heavy lift barges. A caisson dock would be constructed, dredging would take place, and upland facilities would be developed. A proposal to connect a road to the Nome/Teller Highway is very expensive.

She showed an overhead of Point Spencer.

MS. CORDOVA explained the Cape Riley proposal which would accommodate shallow draft mineral extraction vessels and lightering vessels. She showed a map depicting the dock site.

She discussed the timeline of the USACE process schedule. During the May 15, 2013 meeting the 8 alternatives were proposed. The tentatively selected plan for November of 2013 did not meet the deadline. There were now 23 alternatives, which caused concern at agency headquarters. The USACE now needs to complete real estate and NEPA work. The public review will not happen in March 2014. The timeline has been pushed back and the plan is to keep the public informed by newsletter on the progress of the study.

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MS. CORVOA addressed what happens after the feasibility study is signed by the chief of engineers. She said the final feasibility report goes to Congress for action to authorized and appropriate to construct. She shared the state and federal websites available for more information on the study.

CHAIR WILSON asked for the status of mining claims along the water in Nome.

[2:50:24 PM](#)

MS. CORDOVA explained that those are year-to-year mining leases and the footprint for the causeway extension would only affect one mining lease.

[2:51:29 PM](#)

SENATOR FAIRCLOUGH thought working with lease-holders could be a perfect public/private partnership.

MS. CORDOVA said the Corp does not have a mechanism for that type of partnership.

SENATOR FAIRCLOUGH requested a follow up on that question.

SENATOR FAIRCLOUGH asked if there were any cost estimates for each of the three proposals.

MS. CORDOVA explained that the Port of Engineers requires a proposed project to have the highest net benefit to the nation. Currently, the study has considered each site alone, and the sites in combination. The combination of Nome and Point Spencer will probably be chosen and will probably be around \$100 million. Cape Riley is an option for the state to consider. She explained the state has the option to select a locally preferred plan, or a larger plan, but it would have to be 100 percent non-federal funding.

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SENATOR FAIRCLOUGH asked if the project is 100 percent federally funded.

MS. CORDOVA explained if the state continues to be the sponsor along with the Corp, there would be 50/50 cost sharing of the feasibility study. The cost sharing for the construction is more complicated with general navigation features, such as breakwaters and causeway dredging, being 65 percent funded by the federal government. Local service facilities features, such as docks, utilities, and airport upgrades, are 100 percent paid for by the state.

SENATOR FAIRCLOUGH wished to see more information about the state's obligation in moving forward with multiple projects and whether they could be phased over time. She drew attention to the differing needs of the projects.

[2:57:06 PM](#)

REPRESENTATIVE TARR questioned how the 8 alternatives were expanded, then reduced to three. She asked if some of the alternatives were not included in the presentation.

MS. CORDOVA clarified that three geographic sites were chosen and the 23 alternatives relate to variations in dock lengths and water depths.

[2:58:01 PM](#)

REPRESENTATIVE HUGHES thanked Ms. Cordova for her presentation. She asked what Ms. Cordova's best guess is for the time a vessel might actually pull into a port.

MS. CORDOVA said that 2020 is the best-case scenario if all goes perfectly.

CHAIR EGAN thanked the presenters.

[3:00:32 PM](#)

There being no further business to come before the committee, Chair Egan adjourned the Joint Senate and House Transportation Standing Committees at 3:00 p.m.