**ALASKA STATE LEGISLATURE**
**HOUSE TRANSPORTATION STANDING COMMITTEE**
March 12, 2015
1:10 p.m.

**MEMBERS PRESENT**

Representative Neal Foster, Co-Chair
Representative Shelley Hughes, Co-Chair
Representative Louise Stutes
Representative Matt Claman
Representative Dan Ortiz

**MEMBERS ABSENT**

Representative Charisse Millett
Representative Benjamin Nageak

**COMMITTEE CALENDAR**

PRESENTATION: PORT OF NOME

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

BRUCE SEXAUER, Alaska District Branch Chief
US Army Corps of Engineers (USACE)
Anchorage, Alaska
**POSITION STATEMENT:** Provided a PowerPoint presentation on the proposed Nome Port Expansion Project.

DENISE MICHELS, Mayor
City of Nome
Nome, Alaska
**POSITION STATEMENT:** Testified during the presentation on the proposed Nome Port Expansion Project.

JOY BAKER, Port Director
Port of Nome
Nome, Alaska
**POSITION STATEMENT:** Testified during the presentation on the Nome Port Expansion Project

JEFF OTTESEN, Director
Division of Program Development
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska
**POSITION STATEMENT:** Testified during the presentation on the Nome Port Expansion Project.

**ACTION NARRATIVE**

1:10:01 PM

**CO-CHAIR NEAL FOSTER** called the House Transportation Standing Committee meeting to order at 1:10 p.m. Representatives Claman, Stutes, Hughes, and Foster were present at the call to order. Representative Ortiz arrived as the meeting was in progress.

1:10:16 PM

PORT EXPANSION**PRESENTATION: NOME PORT EXPANSION**

1:10:32 PM

CO-CHAIR FOSTER announced that the only order of business would be a presentation on the proposed Nome Port Expansion Project by the US Army Corps of Engineers (USACE).

1:10:50 PM

BRUCE SEXAUER, Alaska District Branch Chief, US Army Corps of Engineers (USACE), said he appreciated the opportunity to present a PowerPoint on the Arctic Deep-Draft Arctic Ports Navigation Feasibility Study. He stated that the Alaska Deep-Draft Arctic Port Study got its initiation in the early 2000s to examine the cost of fishing in Alaska. The USACE asked to have the scope broadened to review navigational issues throughout Alaska, which led to a series of meetings that pointed to the need for navigation permits in the Arctic. In 2007, the US Army Corps of Engineers entered into a cost-sharing agreement with the Alaska Department of Transportation & Public Facilities to examine the need for deep draft port infrastructure in the Arctic.

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MR. SEXAUER recognized Lorraine Cordova, Project Manager/Economist, Mike Lukshin, P.E., Ports and Harbors, Department of Transportation & Public Facilities, who serves as the state's project manager for the proposed Nome Port Expansion Project.

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MR. SEXAUER stated that the City of Nome has been very helpful in providing significant data and information for this project. The US Corps of Engineers' (USACE) authority for its involvement in navigation is provided by the Interstate Commerce clause of the US Constitution, which states that interstate commerce shall not be impeded. He identified the US Corps of Engineers' mission, which is to improve navigational efficiency throughout the waterways of the United States. In 1970, the Congress granted the USACE the ability to review any waterway in Alaska contingent upon funds being appropriated for a specific purpose. The US Congress has appropriated funds for the USACE to review a wide variety of items, including examination of the Arctic.

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CO-CHAIR HUGHES wondered whether any funds were appropriated between 1970 and 2007 to study ports along this coastal area.

MR. SEXAUER answered that the USACE has generalized study authority to look at any port after the Congress authorizes funding. Thus the USACE has reviewed a wide variety of ports, ranging from Unalaska, Juneau, and Nome.

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CO-CHAIR HUGHES said she was primarily interested in funds for a port in Western Alaska. She asked whether the USACE has received funds prior to 2000 for work in the Nome area and if the work was primarily designated for work in Southeast, Southcentral, or the Aleutians.

MR. SEXAUER answered that each one of the funding streams was designated for a specific area. He reported that navigational improvements in Nome were studied in the 1980s, which lead to the construction of the project in 2006. In fact, the USACE has a long standing history with Nome, almost 100 years of history with Nome, with the first US Army Corps of Engineers (USACE) project constructed in Nome in 1917. The USACE uses its

authority as one of the tools, along with the appropriations, to allow the agency to move forward on projects.

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CO-CHAIR HUGHES asked if this is the first public presentation or if the USACE has given other presentations on this topic.

MR. SEXAUER answered that he has given a few press interviews, noting a wide variety of people have expressed interest. He stated that the USACE plans on holding a public meeting in Nome in April to solicit comments, but this presentation today is the first truly public forum since the study has been released.

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MR. SEXAUER stated that the need for Arctic port facility was identified and in 2011, the USACE entered into a cost-sharing agreement. He directed attention to the map on slide 2, which highlighted the wide area the US Corps of Engineers considered for a deep-draft port, ranging from the mouth of the Kuskokwim, to the northern border between Alaska and Canada. During the process, the USACE reviewed how close these ports were to deep water, natural resources, and existing transportation infrastructure. This process allowed the USACE to develop a list of the best locations, including identifying the Nome and Port Clarence area as the most effective first spot.

MR. SEXAUER turned to "Project Need" [slide 4]. He stated that the USACE has reviewed the increased vessel traffic coupled with limited marine infrastructure along Alaska's Western and Northern shores since it poses risks for accidents and incidents, increases response times for search and rescue, and requires international coordination. This relates not only to vessel traffic in the area, but to the international fleet of vessels that transit the area. This proposed deep-draft port project won't necessarily be located where raw oil or goods are transported although a port facility could support and assist oil platforms restock their supplies, transport fuel to help reduce fuel costs to outlying villages, bring in more vessels to improve search and rescue, and also support international activities in the Bering Sea.

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CO-CHAIR HUGHES asked for specific statistics in terms of the rate of growth for vessel traffic and where these vessels initiate travel and their destination.

MR. SEXAUER answered yes. He said that just after the USACE finished with its 2006 harbor improvements in Nome, Nome began to experience vessels anchoring out because the docks were too crowded or there wasn't sufficient depth. The number of vessels needing to anchor out has steadily increased to the point that hundreds of vessels per season anchor out awaiting access to the Nome port facility. In terms of vessels transiting the area, the USACE has tracked Russia's permits, which has grown from a few to hundreds of permits per year. He anticipated that those figures will continue to grow, depending on resource extraction and ice conditions. At current levels, there was already a great need for improved port facilities.

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MR. SEXAUER directed attention a map of the Nome area [slide 5]. Once the USACE identified the Nome/Port Clarence area as the first spot to develop port infrastructure, in 2013 the agency held a charrette, or an intense planning session to identify any problems, methodology, and alternatives, which essentially has provided the foundation for the planning process. The USACE also identified 11 or so potential sites around the Nome and Port Clarence area, including Cape Nome, Point Spencer, Teller, and Cape Riley for development. From that charrette, the USACE focused on three areas including Nome, Cape Spencer and Cape Riley. As the USACE moved forward with its analysis, it reviewed the existing fleets, including vessels operating in the three locations. Although significant vessels use Point Spencer and Cape Riley, most of these vessels are seeking refuge and shelter, but are not offloading or on loading goods and supplies. These vessels are able to perform their current activities without any additional improvements. The USACE understood that a wide-variety of improvements are being planned at Cape Spencer, but at this time the agency believes that a US Corps of Engineers channel or breakwater wouldn't really improve conditions at that location. Still, if Point Spencer were to be developed, it could lead to future needs, he said. Further, the Cape Riley was considered as a potential spot for extracting minerals, but the cost of building a road currently outweighs the benefits, or essentially the time savings of bringing the goods to Cape Riley versus the Port of Nome, he said.

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MR. SEXAUER directed attention to the Nome Proposal [slide 6], noting the USACE reviewed the vessels using Nome to bring in supplies and fuel oil, as well as to serve oil industry needs.

MR. SEXAUER said the USACE reviewed potential development scenarios in the Arctic, noting that the USACE typically takes a very conservative approach in making any recommendations for infrastructure after reviewing studies, reports, and activities. The USACE projected three exploratory oil platforms would occur over a 50-year timeframe, without including production, which represented the low-end for potential development. This review also envisioned using Dutch Harbor for preseason staging and Nome during the season for restocking food, goods, and crew occurring since it would be more efficient to do. This illustrated that other ports play a very important role, he said.

MR. SEXAUER pointed out the oil industry, oil tankers, and fuel tankers currently use Nome, as well as smaller vessels that serve the other villages, noting this constitutes a wide variety of uses that could benefit from the proposed facility.

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MR. SEXAUER reviewed the Nome Proposal [slide 6]. He said the terminology used by USACE was very important to the agency. He referred to the plan as the tentatively selected plan, since it is currently under review by the public and the USACE. He said the plan will not specifically be the one recommended to Congress, unless and until all of the reviews are completed.

MR. SEXAUER stated that the tentatively selected plan includes a photo that depicts the existing Nome Harbor, with the lower harbor called the causeway, which is where goods are currently unloads goods [slide 7]. He directed attention to the two docks visible on the map and stated that the City of Nome is currently pursuing a third facility to expand. The northern breakwater provides protection to vessels and a smaller breakwater at the end provides additional protection from waves that wrap around from the south and southwest.

MR. SEXAUER reported that the City of Nome calls the proposed 2,150 foot extension of the causeway the "boot" and the causeway will allow trucks access to load and offload [slide 8]. The proposed plan also calls for a 450-foot dock that will lie at the foot of the boot that would be dredged to a depth of 28

feet, which could handle the vast majority of vessels. The inner area between the causeway and the existing breakwater dredged area will be expanded to allow larger vessels to turn around, he said.

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REPRESENTATIVE CLAMAN asked what size vessel can use the 22-28 feet dredged area. He further asked how much depth does an oil tanker going in and out of Valdez draw or a typical barge or research vessel. He remarked that it didn't seem like the deepest harbor.

MR. SEXAUER acknowledged that he was correct. He deferred to Ms. Baker, Port Director of the Port of Nome to provide details of the types of vessels. He said that the current Port of Nome serves vessels with a 22-foot draft, including oil tankers that offload fuel and goods and ocean going barges. He anticipated that under the proposal, larger tankers will be able to use the port facility.

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REPRESENTATIVE CLAMAN suggested that the term tankers was a very ambiguous term since some are nearly a quarter-mile long and draw much more than a 22-foot draft. He was interested in the types of vessels that the proposed dredging of the Nome port to 28-feet will allow.

MR. SEXAUER, generally speaking, noted the design would accommodate the existing 450-foot fuel-carrying vessels that offload fuel. Currently these vessels must come in to the Nome port facility partially loaded due to the draft limitation; however, under the proposal these vessels could be full and still use the dock.

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MR. SEXAUER referred to an information paper in members' packets that discusses implementation and lists some of the preliminary cost estimates.

MR. SEXAUER directed attention to the fact sheet, stating that the projected cost for the navigational features, including breakwaters and dredging was $150 million. He said that 75 percent of the cost would be covered by the US Army Corps of Engineers (USACE) and 25 percent by a non-federal sponsor. At

this point, the non-federal sponsor for the study is the State of Alaska; however, the City of Nome has indicated it fully intends to take on the sponsorship as the project moves into the further phases of the design and construction. In addition to the $150 million navigation cost, an additional cost for docks and facilities is estimated at $61 million for a total cost $212 million. He characterized it as being a sizable project.

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MR. SEXAUER reiterated the costs. He stated the projected costs for the general navigation features under the tentatively selected plan total $150 million, with $98 million anticipated as the federal share via the US Army Corps of Engineers (USACE), with the additional $52 million coming from a non-federal source. In response to a question, he clarified that the navigational features consist of work to the breakwater and dredging the navigable areas, which was the USACE's allowable participation. The other portions of the project, including the docks, the utilities, and roadway surfaces are estimated at $61 million for a total project cost of $211 million.

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CO-CHAIR HUGHES asked for further clarification on the federal/non-federal share. She related her understanding of the federal share of the $211 million was 75 percent federal and 25 percent non-federal sponsor. She suggested that the split seemed to be 66 percent federal and 33 percent non-federal. She asked whether this will hold true for docks or if the federal government will pick up more.

MR. SEXAUER answered that there are two parts to the cost sharing for the initial construction. When a project is first constructed, the costs are shared at the 75/25 percent ratio. Over the 30-year timeframe, the local sponsor must repay an additional 10 percent, which shifts the total cost to about $52 million over time. He recapped that the 75 percent federal share related to the upfront cost sharing whereas the 65 percent represents the final federal cost sharing.

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REPRESENTATIVE ORTIZ recalled that he mentioned the community of Nome would participate in some of the costs. He asked whether he had any idea how much the community will request from the state.

MR. SEXAUER answered no. He said that it would likely depend on how the non-federal share of funding comes together. Typically, one basic entity will act as the clearinghouse, but he envisioned that the City of Nome would seek state funds, as well as funds from private investors. He deferred to the City of Nome to respond.

1:38:50 PM

CO-CHAIR FOSTER directed attention to a handout just distributed entitled, "Port of Nome" dated 3/8/2015 prepared by Joy Baker, Port Director. He explained that the vessels listed on Table 1 were ones that could use the port.

MR. SEXAUER related that the table lists the vessel draft, but an addition 4-6 feet for safety allowances must also be made, depending on the type of vessel. He explained that the design vessels used for the study were the supply vessels used by the oil and gas industry. These vessels can use the 28-foot draft and the 450-foot dock, he said, although some vessels will still need to moor out.

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REPRESENTATIVE STUTES said it seems peculiar not to consider dredging the harbor to accommodate the larger US icebreakers [with a 30-foot draft]. She asked how much deeper would the harbor need to dredged to accommodate those vessels.

MR. SEXAUER answered that the decision involved the volumes of ships and the number of trips. He suggested that the different between dredging from 22-feet to 23-feet will capture more vessels. He acknowledged that the benefits continue to accrue with each additional foot dredged until it reaches a point that not as many additional vessels or trips will be captured. At that point the additional cost does not outweigh the benefits received in dredging the additional depth. He stated that the USACE recommended the greatest net benefit, which was determined to be the 28-foot depth.

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REPRESENTATIVE STUTES asked for further clarification since vessels using the infrastructure use the polar route, yet the proposed Nome harbor would not accommodate the US icebreakers.

MR. SEXAUER suggested that the USACE would defer to the US Coast Guard to determine its operational practices and needs for vessels and services. He said that the US Coast Guard has indicated each one of their vessels can go three months without needing a re-supply, and whether these vessels will need the Nome port facilities was questionable to them. He recognized and acknowledged the importance of achieving the deepest dredging depth; however, the USACE will make its determination according to policy compliance as per the rules set forth by the Congress. While the ultimate decision may change, the USACE will make the recommendation that will pass muster using established rules.

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REPRESENTATIVE STUTES asked for a ballpark figure of the costs to dredge the proposed Nome harbor expansion to 35 feet in depth.

MR. SEXAUER answered that it would cost about $100 million more to increase the dredging to 35 feet, noting this estimate was based on preliminary cost estimates of about a year ago.

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REPRESENTATIVE CLAMAN remarked that the challenges to develop a deep water port are not just driven by the current vessels being served, but that the region envisions more and more ships will be going through the Arctic as the ice recedes, plus Russia and other countries are beginning to consider Polar routes to send larger and larger ships through. He suggested that one reason to consider a deep water presence in Western and Northwestern Alaska isn't just to serve vessels that are currently operating or to serve the communities, but to address the future vessel needs. He asked for further clarification on the analysis for bigger ships and future needs.

MR. SEXAUER characterized this project as the amount of dollars that can be saved for each vessel trip as compared to the cost of the project. The goal was to make the transportation system more efficient and more effective.

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REPRESENTATIVE CLAMAN asked how much would be saved under this proposal.

MR. SEXAUER replied that it would depend on the vessels, for example, those vessels transiting Dutch Harbor to resupply add an 800-mile round trip as well as several days of additional travel time.

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REPRESENTATIVE CLAMAN asked for further clarification on the vessels transiting to Dutch Harbor.

MR. SEXAUER answered that one assumption used in this analysis considered that the oil platforms would be doing exploration, vessels that traveling to Dutch Harbor to resupply would be able to make a much shorter trip to Nome to resupply. The USACE estimated the cost to go to Dutch Harbor versus going to Nome. In addition, the USACE factored in the cost of shipping goods and supplies to Nome as compared to Dutch Harbor. These factors are all considered when evaluating how much money is saved. He elaborated on the analysis, noting the USACE takes each individual vessel, including barges using the Nome port, and assign an hourly cost after researching rates in Alaska and the Lower 48. The analysis determines how much each vessel cost savings are throughout the fleet. These cost savings are added up to determine the net amount saved. In further response, he said the average annual net benefits for all categories was $11.5 million, the average annual cost of the project was $9.2 million, and the overall economic savings was estimated at $2.3 million per year.

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REPRESENTATIVE CLAMAN asked whether additional maintenance dredging will be necessary for the proposed Nome proposal.

MR. SEXAUER answered yes, noting those figures were incorporated into the annualized cost. He said the assumption includes the anticipated dredging. In response to Representative Hughes, he agreed that slide 2 depicts the current Nome Harbor.

REPRESENTATIVE HUGHES remarked that compared to road projects, the proposed Nome Port expansion project costs seemed reasonable. She asked when the cost benefit analysis was done, whether it was based on the current growth rate. She asked for the number of days the Arctic shipping route was available. She commented that if the port could handle larger vessels it may spark additional interest.

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MR. SEXAUER asked whether her question was that in light of climate change, what rate of growth was assumed.

CO-CHAIR HUGHES recalled that the USACE estimated the vessel count for each extra foot of dredging in the proposed port expansion. She asked how he the USACE determines the vessel count and if climate change was factored in and if the USACE had predicted the number of larger vessels that might choose to use the port and not just consider the size of vessels, as well as considering the time savings for the route.

MR. SEXAUER explained that the USACE has a rather stringent set of requirements set forth by the Congress and the administration on how the USACE should conduct its analysis. He said that the rate of growth was based on the current rate of growth to project future vessels. The USACE also considered a flat rate - no increase in growth - as well as a number of different scenarios. In terms of climate change, and how that plays into the analysis, as the ice pack continues to change, he stated that if the future needs for more depth could be economically justified, this project could be modified in the future to accommodate the vessels.

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CO-CHAIR HUGHES asked whether the design could accommodate deeper dredging in the future.

MR. SEXAUER suggested that one limiting factor in the design of this project was the dock structures. He suggested that the current dock structures are designed to go to a certain depth. However, if the dock structures are designed for a much more significant depth, replacement would not be needed if the project included further dredging. He acknowledged that some things can be incorporated into project to plan out into the future.

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CO-CHAIR HUGHES asked for further clarification on whether the US Army Corps of Engineers (USACE) needs to seek congressional approval.

MR. SEXAUER answered that the current process includes the remainder of review. He anticipated the USACE's Chief of

Engineers will approve the project sometime early next year. At that point the project will be submitted to the Congress for consideration for authorization in the Water Resource Development Act. It would next be authorized for appropriation and would go through the budget process and would compete with other projects in the US on its merits for funding.

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CO-CHAIR HUGHES asked him to predict when it might be authorized and when construction would begin.

MR. SEXAUER did not know. He suggested that there is a 30-day review, with an internal meeting via the Civil Works Review Board, scheduled in November. He did not have a timeline for when the project might be authorized or when the Congress might appropriate funds, he said.

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REPRESENTATIVE ORTIZ appreciated the complexity of the process. He asked whether there was an opportunity to consider national security concerns or that the USCG might like an icebreaker operating in the area as part of the aforementioned formula.

MR. SEXAUER answered that it would depend on what the administration and the Congress decided on the authorization and appropriation decisions. He reiterated that the US Army Corps of Engineers (USACE) was limited to providing the information in accordance with federal rules.

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REPRESENTATIVE STUTES remarked that it seemed the proposal does not take into account that the state hopes the Nome proposal will provide the gateway to the Arctic, or essentially a new "freeway." She said that investing an additional $100 million now might save hundreds of millions to later redo it. She expressed concern that this project seemed short sighted. She said when Kodiak began work on a hydroelectric project at Terror Lake over 20 years ago, people thought the community was "nuts" but in 2014 the community reached 99.7 percent renewable power. She suggested that if an opportunity exists, the state should look towards the future. She appreciated that the USACE may be limited to certain parameters; however, she definitely thought long range needs should be considered.

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CO-CHAIR FOSTER remarked that the USACE and the community are hoping the project will be good enough to obtain funding, but he was encouraged to hear Representative Stutes would like to increase the overall project size.

REPRESENTATIVE STUTES agreed that he was correct.

2:04:52 PM

CO-CHAIR HUGHES said that the legislature is comprised of visionaries who are looking to the future of Alaska. She asked for further clarification on any time savings for a vessel coming through the Arctic route, for example, a vessel coming from Norway. She also thought the technology has improved significantly for vessel design and efficiency.

MR. SEXAUER answered that the time savings would be 7 to 10 days less time depending on the route; however, most of those are going past the shores of Alaska. The vessels may travel from Russia to China or are traveling from Norway to Los Angeles. This port facility won't affect those time savings but would be in support of the vessels in case a vessel needed to get repaired. He commented that currently a number of vessels anchor off inside Norton Sound and at Port Clarence. He cautioned that the vessels traveling past Alaska do not necessarily meet the design or purpose of this port, but that the project was designed to improve the commerce for the area, the commerce for resource extraction, and to provide for emergencies.

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REPRESENTATIVE CLAMAN asked whether any of the other ports are in naturally deep-water locations that may not require the same dredging.

MR. SEXAUER identified Port Clarence as the one natural deep-draft port. Large ships currently wait in the area, but these vessels do not offload or load goods or supplies. He offered his belief that Port Clarence currently does not need dredging or a breakwater.

2:08:25 PM

REPRESENTATIVE CLAMAN asked whether the reason Port Clarence was not selected as the preferred site, was due to the transportation cost of getting goods to Port Clarence. He asked whether it would be easier to get the ships into Port Clarence.

MR. SEXAUER acknowledged Representative Claman has raised an important question, which was why select Nome and not Port Clarence. He agreed that the other types of infrastructure would be needed at Port Clarence, including access, utilities, roads, housing, water, fuel, noting that these infrastructure costs were exorbitant. In fact, if the project site was Port Clarence, very little of those costs would be borne by the US Army Corps of Engineers (USACE). He suggested that the USACE would participate in 75 percent of the channel costs, but the uplands facility infrastructure would need to be paid for by someone else. As things develop, there will be a potential need for a port or harbor facility, but not at this time. In fact, he raised this as being a similar to other deep draft areas off Cape Nome and Cape Golovnin, but these areas lack road and other infrastructure. Thus having a facility with the nexus of existing facilities made Nome a natural spot. He anticipated that the USACE plans to perform an analysis in Kotzebue at Cape Lawson.

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MR. SEXAUER, in closing, reiterated that the proposed Nome port expansion project was the USACE's tentatively selected plan, but public comment and other input may be incorporated into the final recommendation. He anticipated that the US Army Corps of Engineers (USACE) will hold a public meeting in Nome in April. He highlighted that this project began as a group venture with stakeholders identifying the need for this project. He welcomed questions and comments.

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CO-CHAIR HUGHES wondered whether there was an executive summary.

MR. SEXAUER answered that the 900-page report contains an executive summary.

2:13:22 PM

DENISE MICHELS, Mayor, City of Nome, stated that the City of Nome supports the project. She thanked the US Army Corps of Engineers (USACE) and the DOT&PF for working with them. She

stated that the City of Nome has always advocated for a deep draft port dredged to 35 feet and will continue to advocate for it with the Congress. She explained that commerce will be more efficient and resource development could provide benefits to the State of Alaska. In addition, this project would place assets for search and rescue and environmental response. She cautioned that that it was important for the region to be prepared, emphasizing that the land and water subsistence was very important to the people of the region. She stated that the deeper draft would be beneficial. She said the city will submit comments; however, she suggested that dredging to 28 feet might be phase one and dredging to 35 feet could be phase two.

MS. MICHELS highlighted another issue, national security, since every other icebreaker - foreign flag - shuttles crew to Nome while they resupply. In addition, 1,000 passenger cruise ships stop in Nome. The city began tracking vessel traffic in 1990, at a time when it had 30 dockings. Last year the Port of Nome had 446 dockings. She pointed out some of the current dock uses, including use by the US Army Corps of Engineers (USACE), oil companies, private sailboats, as well as yachts going through the Northwest Passage. She said this proposal represents a good start, staff has been taking notes, and the City of Nome shares the same concerns that have been raised.

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JOY BAKER, Port Director, Port of Nome, expressed appreciation for all the work the US Army Corps of Engineers (USACE) and Department of Transportation & Public Facilities (DOT&PF) have done in this report. She acknowledged the amount of work it takes to produce a 900-page document, noting the Port of Nome has been working with the USACE for the past two years. Based on statistics and chart graph, it's possible to see the increase in vessel calls at the Port of Nome; however, actually living in Nome and experiencing the changes first hand provides another view. She has seen the Port of Nome grow from serving one barge for a day or two along with a half dozen fishing boats to a dock that serves multiple barges, fishing boats, recreational vessels, research vessels, cruise ships, oil tankers and barges, gravel barges, construction barges, the US Coast Guard, the US Navy, and Korean and Canadian icebreakers. The US Army Corps of Engineers (USACE) expansion in 2006 had a considerable impact, but the growth, demand and need has continued. The Port of Nome's not only serves to support the local regional cargo, fuel, and gravel traffic in the region, but it also serves the Arctic vessel fleet that passes through or is working in the

Chukchi or the vessels are running materials up and down the coast. The City of Nome resupplies vessels, facilitates crew changes, and provides fuel, staging, air transportation, and medical facilities. In fact, the City of Nome not only serves as the hub for the region, but it serves as the hub for the Arctic. Although these activities are currently happening and the growth is visible, she felt confident that this growth will continue to happen. In fact, the Port of Nome will need to continue to grow to maintain pace with the demand, she said.

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REPRESENTATIVE ORTIZ asked whether the population in Nome has been growing.

MS. MICHAELS answered yes. She explained that a reality show related to mining happens so Nome sees an increase in the summer. She said that the population for the Bering Straits region has also increased from 3,500 to 3,700. She commented that this proposal would afford more economic development and job opportunities for the region.

2:21:30 PM

CO-CHAIR HUGHES asked whether the ships traveling from Europe stop for fuel in Alaska or if they can continue on to California.

MS. BAKER answered that the larger vessels refuel in Dutch Harbor, but many vessels, including US Coast Guard cutters stop in Nome to refuel, resupply, and change crews. Further, many of the research vessels that work in the Arctic uses Nome for their services and these vessels will either do another tour in the Arctic or will head south for the winter. In response to Co-Chair Hughes, Ms. Baker answered that the 600-700 tankers can travel from Europe to California without refueling.

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CO-CHAIR FOSTER opened public testimony on the Nome proposal.

2:23:17 PM

JEFF OTTESEN, Director, Division of Program Development, Department of Transportation & Public Facilities (DOT&PF), said that he has been involved in the deep-draft Arctic port study since 2008. He offered to provide information in response to

earlier questions. He estimated that the approximate 3,500 vessels carrying containers travel on the great circle route through the Aleutians from Asia to North America are fueled by marine bunker fuel. However, these big ships do not need to stop in Alaska since not one gallon of bunker fuel is sold in Alaska. When big transiting through Bering Straits will likely need to stop would be during a time of distress. At that point these ships will probably need a tug and a place to anchor to obtain refuge, which Port Clarence could provide, he said, but they will not need a place to tie up, since at that point these ships will need a shipyard for repairs.

MR. OTTESEN said that the targeted need the proposed Nome port facility expansion would serve was all the smaller vessels that Ms. Baker spoke to earlier that currently use Nome as their base of operation. In response to Representative Stutes comments on benefit-cost analysis, he spoke against that type of analysis. He said that the benefit-cost analysis was used by the federal government by law and in practice by the state, which he characterized as being the scourge of "big thinking." In simple terms, he described the benefit-cost analysis process as one that looks at cost of building something compared to the benefits that will be derived over some period of time, typically 20 years. The process uses a discount rate to discount the value, so dollars spent ten years from now do not cost as much due to the discount rate. He pointed to the Terror Lake hydroelectric project to illustrate the value of the dollar. While the discount rate assumes a dollar tomorrow is worth less than today, which in economic theory is true, the benefit cost analysis takes us out of "big thinking" and puts us into "bean counting" and it often thwarts sound decision making, he said.

2:26:21 PM

MR. OTTESEN turned to the Panama Canal project that was built at the turn of the last century [1903], in which the Congress authorized the Panama Canal. Although the initial plan was to accomplish the [48 mile] canal with 1,500 long 150 foot-wide channels to accommodate ships, the Congress felt that the channels were too wide and too long. Thus the Congress limited the Panama Canal to 100 foot-wide, 1000-foot long channels. At the time, the largest ships sailing the seven seas were about 400 feet in length. Today, ships are longer than 1,000 feet so the Panama Canal is being widened, deepened, and lengthened; however, the initial design lasted 100 years since they were not

so mindful of the benefit-cost analysis. He remarked that someone had the right idea when the Panama Canal was built.

2:27:16 PM

CO-CHAIR FOSTER, after first determining no one wished to testify, closed public testimony on the Nome port expansion.

2:28:21 PM

**ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:28 p.m.