HOUSE FINANCE COMMITTEE
March 11, 2022
1:32 p.m.

1:32:59 PM

CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 1:32 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair (via teleconference)
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon

MEMBERS ABSENT

Representative Sara Rasmussen
Representative Steve Thompson
Representative Adam Wool

ALSO PRESENT

John Handeland, Mayor, City of Nome; Joy Baker, Port Director, City of Nome; Dave Bronson, Mayor, Municipality of Anchorage; David Ames, Program Manager, Jacobs Engineering.

PRESENT VIA TELECONFERENCE

Kolby Hickel, Deputy Municipal Manager, Municipality of Anchorage; Ross Risvold, Public Finance Manager, Municipality of Anchorage.

SUMMARY

HB 283 APPROP: CAP; REAPPROP; SUPP

HB 283 was HEARD and HELD in committee for further consideration.

PRESENTATION: PORT OF NOME

PRESENTATION: PORT OF ALASKA

Co-Chair Merrick reviewed the meeting agenda.

#hb283
HOUSE BILL NO. 283

"An Act making appropriations, including capital appropriations, reappropriations, and other appropriations; making supplemental appropriations; and providing for an effective date."

1:33:46 PM

^PRESENTATION: PORT OF NOME

1:33:49 PM

JOHN HANDELAND, MAYOR, CITY OF NOME, introduced himself and provided a prepared statement:

Thank you for convening this hearing on Ports of Alaska. Just as my friend from Anchorage will convey, ports are vital links not serving just a single area or need but are vital links to communities across the State of Alaska connecting us both within the state and to the Lower 48 and the rest of the world. The Arctic deep draft port in Nome is not a new concept by any stretch of the imagination. Nome long promulgated the need for this causeway to avoid costly and sometimes dangerous lightering of commodities.

Mr. Handeland provided an example of the dangers that occurred. He explained that barges would go through a jetty causing wakes. He recalled as a child one of the barges had lost its cargo, which happened to be the winter's beer supply. When the incident had occurred, the community had been fortunate to have numerous concerned citizens who had assisted with the cleanup. He returned to the prepared statement:

Mayors before me and everyone in the interim have been stanch supporters of the port expansion, but no one was more enthusiastic as a proponent than my good friend and neighbor, the late Mayor Richard Beneville, who I'm sure many of you have heard from before and his famous introduction to everybody, "Hello central." As a 60-year resident of Nome I've seen our port dramatically change with freight including food, fuels, for houses, and gravel shipments increasing exponentially both in imports and now as exports as well.

The current port has served our needs for the past 20 years. The new port is projected to serve our needs for at least the next 50. When Nome was selected by the Corps of Engineers for funding thanks to the ardent support and unceasing persistence of our federal delegation most of the people of our community were quite excited as was I, what many had brushed off as a pipe dream is so close to fruition, so close to becoming a reality. In working with the corps, port users, communities, and also consulting with our Native organizations and subsistence users, we believe we've worked out a program and a project that balances the needs of all people in our community. This project will position Nome to meet extra capacity requirements.

Today I sit here before you as a 17-year mayor of Nome and I can't be more proud of our community including our port commission, city administration, consultants, engineers, and advisors, but is the diligent work of our long-term port director Joy Baker here that has got us to this point. In a presentation by Ms. Baker in a few minutes, you'll see the rendering of the final project of the ADDP [Arctic Deep-Draft Port] as we call it. We are satisfied this project will compliment the existing port and balance the nation's needs as well as our own.

One just never knows what challenges and opportunities lie ahead. After all, it seems we all expected the ice curtain that melted 20 years ago to be something permanent. Sadly, it appears that that is now coming back into place and just right across the water a few miles from where I live. In addition to local, regional, statewide benefits, the ADDP may see

somewhat unexpected benefits, but we will be poised to further provide for a benefit for greater national security.

As weather evolves, we are seeing longer shipping seasons every year. With that there is exponentially more traffic on the water. Global warming is resulting in changes but also in opportunities. My good friend Richard espoused when he returned from an Arctic conference that, "Here they were talking about global warming in the future tense. Heck, up here in Nome and the Arctic, we're in it."

In summation, we must be prepared for the increasing activity in Nome and the Arctic area. The $250 million already released by the federal OMB provides the need to kickstart and take our needs to reality. But in order to proceed, we require partnership with the State of Alaska to provide matching funds. This project got funded more rapidly than we had ever anticipated, and we continue to seek out other partnerships including other federal entities that might assist us in other components that will enhance the benefit of the project completion even more. The corps is ready for seed, they would like to bid the project by about November of this year and cannot proceed if the match is not available by that time. Without financial participation by the State of Alaska, the corps will likely move the $250 million down to another project on their list, not in the state. That would result in an opportunity being lost for Nome and for our state as well. We respectfully request your assistance this legislative session.

1:40:21 PM

Mr. Handeland continued reading from a prepared statement:

The investment needed sounds staggering, but to put it in perspective, this is a 50-year project so that's about $3.5 million annually.

Mr. Handeland thanked the committee for its time. Additionally, he relayed his support for the needs of the Port of Alaska. He hoped the ports were not competing for funds. He spoke to the importance of both of the projects.

He introduced the city's port director and turned the presentation over to her.

1:41:21 PM

Co-Chair Merrick noted that Representative Johnson had joined the meeting.

JOY BAKER, PORT DIRECTOR, CITY OF NOME, introduced herself and shared there would be a video clip prior to the presentation.

[A video clip was shown.]

1:44:57 PM

Ms. Baker provided a PowerPoint presentation titled "Alaska's Arctic Deep-Draft Port at Nome," dated March 2022 (copy on file). She began on slide 2 titled "Regional Transshipment Hub." She read from a prepared statement:

> In a regional sense, the Port of Nome serves as a transshipment hub for the western part of Alaska, shipping to over 60 coastal and river communities from Platinum to Barrow at one time or another since statistical tracking began in 1987 following the construction of the original port causeway. Prior to that all of the cargo was lightered from offshore and offloaded and offloaded in the small boat harbor at the dock operated by Crowley. In 1977, Crowley built the small push-tug and barge sets and began delivering cargo and fuel to the regional communities along the coast and in the rivers that they and others still do today.
>
> The port has grown significantly in the last 15 years, so much so that it has been a challenge for the city to keep up with the demand for additional facilities. However, over time, incremental progress has been made through construction of an additional dock, a loading ramp, floats, and some dredging, all of which were funded by the city partnering with federal, state, and local entities.

1:46:32 PM

Ms. Baker turned to images of commodity movement on slide 3 and continued with prepared remarks:

> To better demonstrate our transshipment role, I pulled together some visuals here that give a better perspective. With the exception of the tankers on the left, these pictures show the port causeway structure that host three commercial docks, each 200 feet in length. Due to the significant demand by multiple industries, our facility operators must conduct operations as safely and efficiently as possible as the dock schedule is tight and there is almost always another vessel waiting for that space. In addition, stockpiling gravel rock and containers doesn't happen quickly, so coordinating is key so as not to delay other operators. This drives up cost and creates shipping inefficiencies in an industry that is already subject to weather delays, tidal fluctuations, and a limited operating window.
>
> One thing here worthy to note, the top photos demonstrate our export of rock and gravel, which has grown exponentially and is now putting greater demands on the docks, basically taking over the northern dock and occupying the center dock for most of the season. This has caused congestion to escalate, driving the need for additional dock space so other industries can conduct operations as well. Lastly, depth at the dock limits how much fuel can be loaded onto a barge to bring in and discharge, which requires vessels to perform the on-water transfers from deeper draft vessels to bring in deliveries. That is what is demonstrated by the tankers alongside offshore.

1:48:08 PM

Ms. Baker moved to images related to ship resupply/crew change on slide 4 and continued with prepared remarks:

> In addition to the commodity fleet demands for dock space, we also service many ship fleets as shown here. We are actually excited to have 22 cruise ships on the dock schedule, but we anticipate some may cancel soon as the stops that they had planned for Russian ports will likely not occur. However, with the Port of Nome serving as critical refueling and resupply point for vessels transiting to and from the Northwest Passage

are those with seasonal missions in the Artic, both have grown considerably and the congestion and the challenge and competing for space at the docks has only accelerated.

As mentioned in the last slide, the ships must compete for space with the commodity vessels and most of the time my harbor master likes to call it a game of Tetris. So, the ships you see on the right are about the largest we can bring into the existing dock based on the length or draft as the navigation channel is only 500 feet wide at zero mean lower low water and based on the existing basin depth of minus 22 feet, we are unable to refuel the national security cutters and icebreakers of the Coast Guard, the new polar class vessel, nor the Navy destroyers.

Ms. Baker addressed Bering Strait vessel traffic on slide 5 with prepared remarks:

Speaking of vessel traffic at Nome, that and more make up the tracks and transit shown here in this table and graphic as provided by the Marine Exchange of Alaska. The number of transits have more than doubled since 2009, which corresponds with the Port of Nome's growth, all of which is clearly shown in the graphic. The traffic growth is immense and shows no hint of slowing down. Without the capacity to accommodate these vessels into a secure protected dock facility, their needs to resupply and refuel must be done on open water or they must transit to Dutch and return to continue with their mission sets.

1:50:25 PM

Ms. Baker turned to slide 6 and discussed general navigation features cost-shared with corps with prepared remarks:

Now stepping briefly into the development of the Arctic Deep-Draft Port, I wanted to bring some clarity to the overall project and how the corps has broken this out into three separate phases. Each phase shown here lists the primary elements of construction with the corresponding traded area reflected in the drawing below. The extension of the existing causeway shown in the shaded structure is the largest phase of the

project – Phase 1 on the left – as this requires the bulk of the armourstone and construction of a 2,000 foot continuous dock phase with all the associated utilities. Phase 2 will provide the necessary dredging to minus 40 feet in the new deep-water basin and a minus 28 dredging basin in the existing outer basin. Phase 3 will remove the existing breakwater to the east and reconstruct it into a causeway with two 400-foot docks and perform the remainder of the dredging to minus 28 feet. For now, the city and the corps are fully focused on Phase 1.

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Ms. Baker looked at a rendering of the Port of Nome on slide 7. She continued with prepared remarks:

Here we have a rendering or cartoon of the Phase 1 project, which provides a bit of a different perspective that helps define the features cost-shared with the corps and those that are actually 100 percent non-federal sponsor responsibility, which is the city. The blue rectangle represents the existing facility we are operating. Under the corps logo on the right, the breakwaters and dredging are the only two elements the corps controls and pays a portion for, which are considered the general navigation features under the navigation program. The federal cost-share is 65 percent, leaving 35 percent for the sponsor. More details will come up here in a few slides. Shifting onto the left, the city is contracted with PND Engineers and CRW Engineering for what is identified as the local service facilities, of which the sponsor pays 100 percent of all design and construction.

Ms. Baker advanced to slide 8 titled "Arctic Deep Draft Port Modifications" and continued with prepared remarks:

Within the Army Corps feasibility study completed in Spring of 2020, the corps identified the project purpose and objective shown here, which justify the project under the RSH program and elevated the completed study to corps headquarters for consideration. Once the report was signed in May of 2020, there was an increased level of interest well across federal/state agencies as well as industry, which prompted what appeared to be an acceleration

towards construction. Each of the elements listed above demonstrate a critical need in this remote area of Alaska and the U.S. Arctic, needs which have escalated due to increased vessel traffic in support of commerce, resource exploration and development, fisheries, construction, and tourism. All of which have grown exponentially, driving demand for a seasonal presence by regulatory, life safety, defense, and response agencies.

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Ms. Baker briefly looked at the project benefits on slide 9 and continued with prepared remarks:

Here we'll take a brief look at the project benefits, which correspond well with the objectives. We'll get into slides on some of these individual benefits, but just wanted to highlight that this graphic reflecting the LNG tanker transits that occurred in January of 2021 without icebreaker escorts, which was a complete surprise to the residents along the Alaska coastline. Although transiting within the northern sea route in Russian waters, this activity raised significant concerns with the coastal residents as products that enter the water know no bounds for spreading into the sea and across to the American side causing serious risks to the food safety for those who rely on indigenous foods from the sea in an effort to sustain their cultural ways and educate their younger generations.

Ms. Baker advanced to national security/mariner safety on slide 10. She continued with prepared remarks:

I think most everyone in the state and nation would agree that national security and life safety are of the utmost importance, which is reflected in all the coast guard stations you see along the other coasts in the country. With ongoing actions by Russia driving the need even further. In fact, many people with historical knowledge and/or experience in the Arctic realize that we are well behind the curve in developing maritime facilities in the Arctic to support our strategic defense and life safety assets in fulfilling their critical missions. While some of the smaller Coast Guard vessels can dock in Nome and

do, neither the national security cutter nor the icebreakers from any country were able to resupply or refuel at the dock.

This expansion of the port will enable all Coast Guard and U.S. Navy assets to use Nome as a port staging base with dock access with dock access for resupply, refueling, minor ship repairs, maintenance, crew changes, shore leave, medical, etcetera. Taking the time to transit to Dutch Harbor creates mission inefficiencies and increases operating costs, especially when it concerns a damaged or sinking cruise ship with over 1,000 people aboard in inclement weather that needs response assets to deport quickly to save as many as possible.

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Ms. Baker turned to slide 11 titled "Arctic port reception facility." She continued with prepared remarks:

Recent polar code changes have mandated the need for action to develop regional port reception facilities in the Arctic. As the only coastal port north of Dutch Harbor, Nome feels it has an obligation to develop these facilities and pull the region into compliance. The city has completed a feasibility study and currently securing design and construction funds to enable Nome to serve this critical role in the Arctic region keeping ship waste out of Arctic waters.

Ms. Baker discussed mining and resource development on slide 12 with prepared remarks:

Resource and exploration is yet another benefit to the region that can continue to be further investigated and the ability to transship these minerals will be attainable with the extension to deeper water and increased laydown facilities that serve to attract industry. There are a variety of deposits on the Seward Peninsula that with suitable and efficient oversight can be responsibly developed to bring an economic boost and more jobs to the region.

1:57:27 PM

Co-Chair Merrick noted that Vice-Chair Ortiz had joined the meeting online.

Ms. Baker spoke to economic benefits during construction on slide 13. She read from prepared remarks:

> This table shows jobs and income at the regional, statewide, and national levels considered as primary spending. With secondary spending rolling these dollars into further industries. This economic influx alone will bring significant benefit to a region that is still hovering in the recession.

Ms. Baker addressed economic benefits post construction on slide 14 with prepared remarks:

> This is brought by additional employees and services needed for the port: external vendors, fuel delivery, landlords, hotels, groceries, restaurants, etcetera. This economic trickle down will spread throughout the region as residents come to Nome for jobs during the operating season.

Ms. Baker discussed the cost on slide 15 with prepared remarks:

> What you have here is both the cost shared to the corps and the standalone cost to the city. All numbers in red are the city's responsibility. At the top of the second and third columns you'll see a 75/25 spilt, which is how the corps handles the construction. All the way to the right you'll see a plus 10 percent general navigation features that they require to be paid over time.
>
> For this exercise, we are looking at a 75/25 split for the construction of Phase 1. You'll see the $250 million under the corps that was allocated by the federal dollars. Under the non-federal sponsor, the $83 million is our 25 percent match to the Army Corps. Further under the LSF 100 percent column, we have $81 million in local service facilities: docks, roads, and utilities. In addition to some final design and bidding and inspection during construction as well as design and inspection of Phase 2, as the corps wants to move into Phase 2 for design at the end of this year. This brings the city's total requirement for our

local service facilities to $92 million with the 25 percent match to the corps of $83 million, which brings us to the $175 million.

The city has already paid over $2 million for design of Phase 1 to 65 percent and was working with an in-house engineer for collaborating, tying those intricate designs into the core design.

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Ms. Baker concluded the presentation with the project design and construction schedule on slide 16. She read from prepared remarks:

Lastly, here's the schedule the city is currently working on with funding deadlines for construction as defined by the corps, which require both the general navigation features (GNF) and the local service facilities construction funding upfront. Before construction, the solicitation package is final and goes out for bid. Under design, 100 percent we expect to be complete both the city's elements and the corps' by January of 2023. Once that is complete and is compiled into a solicitation package, the corps is requiring the city to sign a PPA, which is a project partnering agreement, for construction. The bids will go out in March or April of 2023, award in the fall, and construction will begin in 2024 through 2025. We anticipate two seasons for Phase 1. Our deadline to sign the project partnering agreement, which is when the corps requires construction funds upfront in order to proceed with soliciting.

Ms. Baker was happy to answer questions and thanked the committee for asking them to present.

Representative LeBon thanked the presenters for the presentation. He referred to Ms. Baker's reference to the possibility of a U.S. Naval ship using Nome as its home port. He asked if it was a tangible possibility or currently a hope.

Ms. Baker replied that it was currently a hope. She elaborated that the port's engineering specifications were being planned to meet the requirements of Naval vessels, so there would not be a conflict.

Representative LeBon asked for verification that the project would prepare for the possibility and would not need more money.

Ms. Baker replied that the project planned for the possibility and would not need more money.

Representative LeBon asked for verification the proposed business model was self-sustaining.

2:04:02 PM

Ms. Baker answered affirmatively. She stated the vessels were already there; the current port could accommodate some vessels but not others. She confirmed the city was confident the port would be self-sustaining. She clarified that the dredging to 40 feet in the deep water basin would not take place until 2026 after the construction of the extension was completed and the basin was protected. She estimated it would be fall of 2026 before the port could accommodate the deeper vessels.

Representative Johnson had heard about the possibility of use by Coast Guard ships but not a Naval ship. She asked if there was something different perhaps she had not heard about, or if they were talking about military ships in general.

Ms. Baker answered that the port had been talking to the Coast Guard for quite some time. She believed there was interest from the Coast Guard but noted there were always funding challenges. The city had talked briefly to the Navy because the Navy typically communicated with the corps instead of the city. She relayed the city was hopeful regarding the Navy but there had been more conversations with the Coast Guard. She clarified there was nothing yet on record.

Representative Johnson stated there had been many years of conversations about the idea of having a Coast Guard vessel ported in Nome at least during the summer months. She thought it seemed like there was a good possibility. She shared that she had numerous conversations about the possibility over the years and thought the hope of something coming to fruition contained substance as well.

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Mr. Handeland relayed that the city had numerous conversations with the federal delegation on the Coast Guard and Navy. He shared that the secretary of the Navy had visited Nome. He referenced the BOT [Board of Trade Saloon] and remarked that the secretary had remarked that he would like to see gray hulled ships belonging to the U.S. in Nome. He elaborated that the city had been working with Senator Dan Sullivan and Senator Lisa Murkowski and they had been in contact numerous times with the Navy and Coast Guard. He noted that Senator Sullivan was a master of using some of the confirmation hearings to solicit answers to some of the projects, including the Nome port project.

Representative Johnson wished the city well in its effort. She relayed that about five years back she had served as president for the Alaska Conference of Mayors. She did not think people realized the amount of transit and boat traffic existed along western Alaska. She remarked on the oil and sludge from boat bilges washing up and covering walruses and so on. She considered the area may not necessarily be a defense point for the Coast Guard, but there could be policing of environmental discharge. She highlighted that the breakdown of the substances did not happen in the same way it did in a warmer area. She pointed out there was currently no policing of limits in those waters. She stated the issue was near and dear to her to have some enforcement and presence in the area. She thought it was important for the communities in the area. She shared that she had been working on the issue and having discussions on the topic for quite some time.

Mr. Handeland thanked Representative Johnson for her perspective. He was appreciative they were not the only ones thinking that way.

Representative Edgmon welcomed the presenters. He recalled visiting Nome years back when Mr. Handeland had been the port director. He expressed appreciation for former Representative Richard Foster who had served on the House Finance Committee for many years. He shared that the late representative would have been proud to know the city was at the current point with the project. He remarked it was a moment in history for a small community. He elaborated that like other small communities in Alaska, Nome had

experienced its ups and downs in terms of moving forward including rising and falling fuel prices. He assumed the armourstone and gravel would come from a local source to avoid the transportation cost. Additionally, the issue of dredging was always an issue of concern where there was tidal action. He shared his experience from his hometown of Dillingham where the harbor and other places had to be dredged annually. He asked about annual maintenance cost and the difference between dockage and moorage fees. He expressed his affinity for Nome and had a connection to the community.

2:12:32 PM

Mr. Handeland answered that the community had an abundance of good material as a result of long-term mining activity in the area. The city believed here were a couple of sources of armourstone including the Cape Nome Quarry operated by the Bering Strait Native Corporation. Additionally, there were some quarry potentials on state lands. He stated it would make no sense to ship the materials from Camas, Washington. The city would like to see all of the mining, development, hauling, and placement of the stone to be done by as many local and Alaskan residents as possible. He addressed the annual dredging done in Nome's inner harbor. He detailed that the city had entered into a contract in 1940. He asked Ms. Baker for confirmation that the city paid $25 or $2,500 per year for the work.

Ms. Baker answered that the city used to pay $2,500 and currently paid zero.

Mr. Handeland relayed that as the project went on, the corps would maintain responsibility for the dredging in the new and expanded area. The city would be responsible for annual maintenance on physical structures and connections to the port including the docks, bollards, anodes, driving surfaces, and utility connections. He explained that the items had been calculated and included in the city's tariff rates. He relayed that the community's biggest concern was whether it would have to pay more for fuel and groceries to support the port. The city felt confident in working with the Corps of Engineers that the additional traffic and port activity would be sufficient to fund the types of requirements and that costs would not be put on the backs of the general public.

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Co-Chair Foster emphasized some of the positives of the port in Nome. In the past, Nome had been focused on increased shipping, tourism, and exploration for oil. He explained that none of those activities were going away even though Shell's work had been paused. He thought it was necessary to get ahead of the curve and not behind. He noted the activities were global items. Additionally, as oceans warmed, fish moved north, which would result in increased fishing up north. He highlighted that things were changing geopolitically. He stated it would be great if there was an icebreaker sitting at the end of port and the ability for the Navy to come in and have a presence.

Co-Chair Merrick asked when the first [Iditarod] musher was expected in Nome.

Co-Chair Foster replied Monday or Tuesday morning.

Co-Chair Merrick thanked the presenters.

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RECONVENED

^PRESENTATION: PORT OF ALASKA

2:22:16 PM

DAVE BRONSON, MAYOR, MUNICIPALITY OF ANCHORAGE, provided opening remarks. He hoped to convince the committee of the importance of the Port of Alaska project. He listed multiple presenters who would provide information.

2:24:02 PM

KOLBY HICKEL, DEPUTY MUNICIPAL MANAGER, MUNICIPALITY OF ANCHORAGE (via teleconference), thanked the committee for the opportunity to present. She provided an opening statement with prepared remarks:

> We appreciate the opportunity to provide the legislature an update on the condition of the port and

urgency of attaining funding. The Port of Alaska is the lifeline for 90 percent of Alaskans, and it is in critical condition. In November 2018, Anchorage was hit with a 7.1 earthquake; if that earthquake lasted an additional seven seconds, the port would have failed. Alaskans would be without food security, so we must act now to rebuild the corroded and broken infrastructure. A failure of this magnitude would affect everyone from the North Slope to Nome, Fairbanks, Wasilla, Seward, Southeast communities, and everyone in between.

The municipality received positive news a few weeks ago that we won the MARAD [Maritime Administration] lawsuit with an amount of $367 million awarded. While this is an encouraging first step towards recovering the financial burden the municipality sustained, it is still subject to the judicial appeals process. This will likely take years to complete. We do not know when we will get the final settlement, we don't know the final number either. In addition, the amount awarded and what the municipality receives could be altered by the appeals process. The MARAD settlement is an award for damages incurred by the failed northwest extension construction project, and it really should not be viewed as a windfall for the municipality.

In addition, this settlement money may be tied to stabilizing the north extension portion of the modernization program, which means we couldn't use it on other portions of the program unfortunately. The port will need $1 billion by 2025 for this project to move forward. We are asking for $600 million from the state to rebuild terminal 1, which will help achieve food security in Alaska for generations to come, and we are pursuing all funding options including tariff increases. Tariff increases will directly impact the financial burden to all Alaskans. In order to minimize the impact of potential tariff increases to Alaskans, we must receive a substantial portion of funding from both the state and federal governments. Prices of groceries and commodities will increase for everyone in Alaska based on the tariff increases. Those affected especially will be in rural communities, low income, and fixed income residents, because tariff increases are pass through costs to all consumers.

I want to reiterate, our highest priority is rebuilding a seismically stable port to benefit all Alaskans and we will achieve this goal. However, we cannot take the risk of destabilizing our state and we truly need your help. Thank you very much for the opportunity to speak.

2:27:58 PM

DAVID AMES, PROGRAM MANAGER, JACOBS ENGINEERING, provided opening remarks and was honored to be part of the program due to its critical nature. He shared that he had been the program manager of the Port of Alaska modernization program since the end of November 2021. He read from prepared remarks:

The first generation of marine structures at the Port of Alaska is in grave condition; if the structures are not replaced, they will fail. Whether the failure happens suddenly as the result of a major seismic event or happens slowly over the next decade as a result of ongoing corrosion that renders the structures unsafe for operation, its not a question of if, but when. The Port of Alaska modernization program has been working diligently and intensely towards replacing these facilities. With the completion of the new petroleum and cement terminal this summer, Phase 1 of the program, the state will restore fuel security to Alaska in the form of a resilient fuel import terminal designed to withstand seismic and other physical risks for the next 75 years.

In 2021, we commenced Phase 2, the longest and most challenging phase of the modernization effort, which focuses on replacing the deteriorating cargo docks and restoring food security to the state. Despite all of the physical challenges to construction in Alaska, such as shortened construction seasons, extreme tide ranges, environmental permitting restrictions, and long deployment distances, the primary challenge to Phase 2 at this time is the assurance of funding to complete it.

2:29:37 PM

Mr. Ames provided a PowerPoint presentation titled "Port of Alaska Modernization Program: Presentation to House Finance Committee," dated March 11, 2022. He turned to the program phasing on slide 2:

- Successful Completion of Phase 1
- Immediate and Worsening Risk to Food Security
- Plan for Phase 2 and New Cargo Terminals
- Challenges to Phase 2
- Construction Phasing and Costs

Mr. Ames spoke to the successful completion of phase 1 on slide 3 with prepared remarks:

> We really encourage you to visit this newest facility at the Port of Alaska, which is a petroleum cement terminal, commonly known to us as the PCT. It might not look that complex at first glance, but it is a structural engineering marvel. The structures that you see on the right side of the screen are 12-foot monopiles with fenders designed for 35-foot tides. They are unique in the world and to Alaska.

Mr. Ames addressed the final stage status of Phase 1 on slide 4 with prepared remarks:

> The major marine structures were completed in November of 2021. Equipment commissioning is ongoing and will be completed by the end of this month. It will be open to barge services next month and it will be fully complete and open to tankers following dredging this summer. There's some minor additional marine work plus dredging to open it up to tankers, but effectively it will be operating in April and operating for tankers at the end of this summer. It had a $225 million budget, $126 million of which was funded by a state contribution, and with it fuel security has been established.
>
> But there's an immediate and worsening risk to food security. The November 2018 earthquake registered a magnitude of 7.1 and the epicenter was less than eight miles from our dock. The port survived and remained open, but if the earthquake happened today, we could expect even greater damage. It has highlighted the risk of food and fuel security presented by seismic

events. As I mentioned, Phase 1 took care of the latter, but food security is obviously a more critical risk right now. The existing facilities are supported by more than 1,400 piles that are suffering severe corrosion, which is normal with marine structures. They have survived between 40 and 60 years depending on which structure we're looking at and are nearing the end of their useful lives due to this corrosion.

2:32:21 PM

Mr. Ames turned to food security and risk on slide 5. He highlighted that the red dots on the image reflected areas that were damaged by the 2018 earthquake.

Mr. Ames discussed the condition of the existing facility on slide 6 with prepared remarks:

It is very important that we know it is already laterally unstable. What does that mean? The largest lateral forces to which an overall dock structure is susceptible would typically be generated by earthquakes and the liquefaction of soils that they may cause. The port was not originally designed to withstand the level of earthquakes that Anchorage has experienced and expects to experience again and deterioration of the structures via corrosion has worsened any lateral capacity that the facilities did have. There's a significant risk of catastrophic failure in an earthquake of sufficient size, duration, or location.

The top photo is a pile that actually failed during the 2018 earthquake; it split at a horizontal weld. What you're seeing in the photo below, I'll get into in the next bullet. Just as importantly to the catastrophic concern from earthquakes, the structures are also losing vertical capacity. Basically, due to the corrosion, the remaining life and the strength of the piles is decreasing, and the remaining operating life as designed is estimated to be between four to eight years. What that means is within about four years the seismic engineers who have evaluated the structure are indicating that we will most likely have to put operating restrictions on the terminal and on existing operations. That might not impact operations as they stand right now, but within six to eight years

or so, it most likely will. So, productivity at the terminal will slow down.

What you're seeing in that second photo are repairs that were done to corroded piles to restore the vertical capacity back in the early 2000s. Those repairs are single event repairs, and they are past their useful life as well; they usually last about 15 years and can't be redone. Even the repaired areas are losing their capacity. The most important thing is this condition worsens with every tide cycle because one of the main reasons for the corrosion was the exposure to air after moistening in a marine environment.

2:35:59 PM

Mr. Ames discussed liquefaction and lateral failure on slide 7 with prepared remarks:

Liquefaction occurs when certain types of soils that are saturated it becomes liquid and unstable when exposed to the stresses and motion of earthquakes. These pictures are damage that occurred to the soil slope at the port during the 2018 earthquake. They are the initial signs of liquefaction. If the earthquake had gone on longer or had been stronger or more centrally located this could have liquified. If this soil liquifies, it destabilizes and slides off the slope and puts a lateral force on those piles that you're seeing on the right.

In this case, the entire continuous dock would experience this lateral force from the collapsing soil and could wipe this dock out because it is not laterally stable.

Mr. Ames spoke about statewide cargo transport hub on slide 8 with prepared remarks:

The port structures are at risk and to what does that actually translate. I'd like to show a few slides that highlight the importance of the Port of Alaska to the state, to the nation, and even to the world and I should thank the Port of Alaska and the municipality for statistics and other information in the following slides.

> The port is Alaska's intermodal transport hub that connects the state's primary cargo distribution systems: marine, road, rail, air, and pipeline. Barge terminals that serve western Alaska, connections to the Alaska highway system - and I understand 75 percent of all Alaskans live on the Anchorage connected road system – multiple rail connections on the port property, the Ted Stevens International Airport and JBER runways within sight of the dock, the Port of Alaska valve yard, and pipelines that connect on and off-port tank farms, truck loading racks, rail loading racks, and also the Nikiski petroleum dock and refinery infrastructure. All of these are infrastructure that exist at the port.
>
> This interconnected infrastructure gives the port a more abundant and more efficient inbound cargo handling facility than every other Southcentral Alaska port combined.

Representative Johnson asked if there was ever a potential for a ferry dock at the port.

Mr. Ames answered that from a business perspective he could not speak to the concept because he was involved in the engineering of the project. He thought it did not seem like a bad idea. He reasoned it would depend on the areas the ferry would serve and what the routes would be.

2:39:46 PM

Mr. Ames moved to the three major functions on slide 9 with prepared remarks:

> The Port of Alaska's role is not just commercial. The port plays a critical role in national defense and in state disaster response. It is a primary tool for disaster resiliency for the region, yet it is currently itself at a profound risk, which only increases the importance of the dock's replacements.

Mr. Ames turned to slide 10 and read from prepared remarks:

> The Port of Alaska is the state's primary inbound cargo handling facility; it handles half of all Alaska inbound freight (it is the state's main inbound

containerized freight and fuel distribution center), it handled roughly 4.7 million tons of fuel and cargo in 2020, supporting more than $14 billion in statewide commercial activity, and handled goods consumed by 90 percent of Alaska's population. Half of all the Port of Alaska's freight is delivered to final destinations outside of Anchorage statewide, including Southeast Alaska via empty barge backhauls. The port accounts for 75 percent of all non-petroleum marine cargo shipped into Alaska.

So, when we talk about food security, we of course mean in part, actual groceries and foodstuffs that cross the Port of Alaska's dock. But we also mean the equipment, tools, and other goods necessary to ensure subsistence food security. These statistics should make it easy to see how any risk to the port itself is an immediate threat to the food security of the entire state.

2:41:27 PM

Mr. Ames looked at a map of Alaska showing the importance of the hub on slide 11. He moved to activities at the existing cargo docks on slide 12 with prepared remarks:

There's containerized cargo, which is the one we most often talk about and what we really think when we think about food security. As I mentioned, the port has multiple roles. The containerized cargo included crane service, what we call lift-on/lift-off container offloading and we also have truck service, roll-on/roll-off container operations. In addition, there are military deployments, vehicles and aircraft arrive to the port on vessels and are either lifted off or rolled off, similar to containers. Cruise vessels also use the port. Fuels and cement vessels also use the port, they would be serviced now by the new PCT. There are dredging and other maintenance vessels that use it as well.

2:42:51 PM

Mr. Ames moved to slide 13 and discussed that Phase 1 would be completed in the coming summer and would be receiving barges in in April. He noted the location was shown on the righthand side of the slide. He moved to slide 14 and

discussed that Phase 2 would occur from 2021 to 2032. He explained the demolition would take place from south to north where the existing terminal 1 would be demolished and replaced with a crane service berth, followed by the demolition of terminal 2, which would be replaced with a new RORO [roll-on/roll-off] berth. Another part of phase 2 was the north extension stabilization, which was a rectification of the problems caused by the element under MARAD in the early 2000s. He stated it would need to be cut back and restabilized in order to make save navigating room for the new terminals.

Representative Johnson asked if there was a plan in place to ensure the port would be operational during the demolition and reconstruction.

Mr. Ames answered affirmatively. He explained that one of the challenges of the project was maintaining ongoing operations while construction was taking place. He stated it was one of the reasons for the long construction period due to the need to maneuver around existing operations and plan the staging to accommodate operations.

2:44:43 PM

Mr. Ames discussed the status of Phase 2, which started in 2021 on slide 15. He read from prepared remarks:

> The preliminary engineering is ongoing for the cargo terminals. We have just completed and submitted a draft report on the structural alternatives engineering and analysis, which looks at modifying the support foundation for the concept designs with a means to accelerate construction and also make the facility more permittable to speed up the permitting process. We are already designing the access trestles. We have a peer review ongoing from an outside firm just to ensure we're squeezing everything we can out of the schedule and the cost. We are also in the process of hiring another independent technical reviewer to be the constructability reviewer during the design process.
>
> We are developing requests for proposals to design and build the north extension stabilization work. The work would be done in parallel to the cargo docks work.

2:46:09 PM

Mr. Ames returned to a drawing on slide 14 showing the Phase 2 design. He explained that inshore of terminal 2 on the drawing was the existing port administration building, which was actually sitting on a dock that was laterally compromised. One of the steps to protect workers at the port was to build the new administration building. He relayed that proposals had been received and the contract should be awarded in April.

Representative LeBon asked if the primary purpose of the peer review was to validate engineering conclusions as the project went on.

Mr. Ames answered affirmatively. He explained it specifically looked at the construction staging, phasing, and scheduling, in addition to the permitting plan.

Representative LeBon asked how peer review interfaced with the independent technical review. He asked if the items were one and the same.

Mr. Ames answered it was not the same contractor and the two reviews served slightly different purposes. He explained that the initial peer review was requested by the municipality to ascertain that the viability of the plan and construction phasing and that the project was optimizing everything possible in the construction scheduling and permitting. The independent technical review was a check on the detailed design that took place as the detailed structural design was going on. He elaborated it entailed checking calculations of the very specific detailed designs rather than the overall phasing concept.

2:48:24 PM

Mr. Ames continued with slide 15 and discussed permitting efforts. The project had already requested a jurisdictional determination and a draft permit for the north extension stabilization to separate the landside work from the marine work and commence with the landside work to get it moving quicker. The project had started to prepare the draft permit application for cargo terminals 1 and 2.

Mr. Ames moved to phase 2 challenges on slide 16. He read from prepared remarks:

What are the major challenges to Phase 2? First of all, the climate. Shortened construction seasons due to weather and ice conditions make it necessary for multiple mobilizations and demobilizations, essentially doubling the required time for marine construction as compared to warm weather projects. In addition, tides. Extreme tides and the strong currents associated with them make scheduling and safety concerns during construction. But these two categories are technical challenges that we as engineers can resolve directly.

The other two categories listed - permit restrictions and funding - we should discuss in further detail. Our biggest permitting challenge is the need to protect the Cook Inlet Beluga whales. The noise created by marine construction is considered detrimental to their survival. So, our permits carry with them a requirement to shut down pile driving and other marine construction operations when Belugas are sighted within specific distances of the worksite. This significantly impacts construction time. It is estimated that over 30 days of construction time were lost over the last two years at the petroleum and cement terminal due to these restrictions. When you've only got a six month construction time and you're losing 15 percent of it, it was an even greater challenge. Even longer delays can be experienced during the permitting process as mitigation measures are proposed and debated. Of course, funding is one of our biggest challenges.

2:51:11 PM

Mr. Ames spoke to slide 17 related to meeting the challenges with prepared remarks:

I want to speak a little bit more about what we're doing to meet these challenges. On the permitting side, we've actually engaged in a Section 214 agreement within the last three months with the U.S. Corps of Engineers to fund and assign a position dedicated at the corps to prioritize our permit applications and the effort that the corps has in processing them.

In addition, we have already begun preparation of a draft application for the U.S. Corps permits to begin discussion of the permits before the official process begins. We are also applying for FAST-14 Dashboard status, which is a federal program to prioritize the permitting process for dashboard projects. The status does not guarantee us permits, but it does guarantee priority processing.

The last thing I'll mention is the structural alternatives analysis where we are looking at reducing the number of piles in the foundation, investigating quieter alternative piling technologies, and the ongoing peer review used the information for evaluation of the phasing schedule. With that, the hope was not just to speed up the construction process, but to speed up the permitting process.

Mr. Ames moved to funding challenges on slide 18 and read from prepared remarks:

Funding presents many challenges that we're here to discuss today. Building facilities in Alaska is expensive, even more expensive than anywhere else in the U.S. With the climate and tidal challenges I mentioned earlier, in combination with the seismic risks that require enhanced designs simply make the higher cost unavoidable. Cargo docks 1 and 2 will cost a total of $1.05 billion. The biggest challenge is the funding must be secured for the whole package before proceeding with initial demolition and construction.

2:53:40 PM

Representative LeBon stated that the project needed $600 million immediately. He asked if there had been a bond proposal to Anchorage community to help with the $1 billion total price tag.

Mr. Ames deferred the question to the mayor and municipality.

Mr. Bronson replied that the short answer was yes. He detailed that he had gotten together with the Anchorage Assembly several months earlier and there had been an ordinance for $165 million. He reported that over $40 million of the bond package had been sold.

Representative LeBon asked for verification it was $165 million in voter approved funding and the city was in the process of selling the bonds.

Mr. Bronson replied that the bonds had been approved by himself and the assembly. He reiterated that over $40 million had been sold and the bonds would be sold along the way.

2:55:04 PM

Mr. Ames addressed the Phase 2 schedule on slide 19. He relayed the first step of the north end stabilization was included, but there was a focus on the cargo terminals. The completion of the first terminal was expected to be by 2029. He explained that the terminal would provide the food security talked about during the presentation. He noted it would not meet the full demand for cargo volume, but it would provide a seismically resilient dock designed to withstand earthquakes and other physical risks for the next 75 years. Terminal 2 construction would go through 2033. He highlighted that through the various alternatives analysis he had mentioned, the schedule would be compressed. He explained the schedule on slide 19 reflected a worst case scenario. He stated that if the project received the funding as planned, the schedule could be compressed.

Mr. Ames advanced to estimated annual costs on slide 20. He shared that his colleagues would further address the topic in the next part of the presentation. He moved to a funding summary by project on slide 21. He relayed that the petroleum and cement terminal cost about $225 million. The state had supported about $126 million of the total (roughly 56 percent of the total cost). The overall cargo docks should cost $1.05 billion. The current request was for $600 million to establish food security, which equated to roughly the same percentage provided by the state for the petroleum and cement terminal. He thanked the committee.

2:57:32 PM

Mr. Bronson shared that he and staff had been in Juneau a couple of weeks earlier to gather questions on the project; the questions from legislators had informed the content of the presentation in the current meeting.

2:58:21 PM

ROSS RISVOLD, PUBLIC FINANCE MANAGER, MUNICIPALITY OF ANCHORAGE (via teleconference), introduced himself and shared information about his career background. He expressed appreciation to the committee for hearing the presentation. He moved to slide 24 and addressed the cost of the Port of Alaska modernization project. He noted the cost was phased in and the cost of the different phases was shown in yellow at the bottom of the slide. He relayed that Phase 1 was nearly complete, Phase 2 had several different components, and Phases 3 and 4 were single components that together comprised the modernization program.

Mr. Risvold moved to slide 25 related to Phase 1 funding sources comprised of three different categories. He outlined that the petroleum cement terminal cost approximately $225 million. The state had paid $148.5 million. Additionally, the project had received grant funding from MARAD, the municipality had contributed funding, and port equity of about $11.5 million had been used. In December of 2020, port revenue bonds in the amount of $20 million had been issued. To support the bonds, the municipality had issued a tariff over a ten year period (to mitigate rate shock) to cover the debt service. As part of the bond issuance in 2020, the municipality had sold another $40 million in bonds to refund some existing bonds from the prior project in 2008. He summarized that the city had sold $65 million in bonds in 2020. Another $7 million in bonds had yet to be issued and would complete Phase 1.

3:01:56 PM

Co-Chair Merrick looked at the graph on slide 25 and noted that it did not appear to show the state's portion at 56 percent. She shared that she had come up with 66 percent when she had done the math. She asked for clarification.

Mr. Risvold answered he was not sure where the calculation had come from, and he could follow up. He stated that there may have been some other funds that perhaps had been used for the prior project.

Representative Johnson noted there was $175 million in the governor's budget for ports on the Knik Arm. She asked if

the amount was factored into the municipality's calculations.

Mr. Bronson answered that the municipality was considering all options. He assumed Representative Johnson was referring to a port authority mechanism. He noted that the governor was fairly focused on the concept. He relayed that the municipality was looking at the concept but had made no commitment thus far.

Representative Johnson asked if the $175 million [in the governor's budget] was outside the calculation in the presentation.

Mr. Bronson replied that was his understanding.

Mr. Risvold moved to the Phase 1 funding timeline on slide 26. He relayed the timeline had begun in 2011. The State of Alaska had offered support to the project for four years. He pointed to the last two lines of a table and explained that the PIDP and BUILD grants were awarded from the federal government. The total was $193 million.

3:04:42 PM

Mr. Risvold addressed funding sources for Phases 2 through 5, which would complete the entire Port of Alaska modernization program (on slide 27). The majority of the funding was needed for Phase 2. He detailed that the cargo terminals 1 and 2 would cost approximately $1 billion. In order to commence with the construction, the municipality needed a source of funds committed to support the cost. He stated the cargo terminal could not be started with anything less because they needed a commitment supporting the entire Phase 2. The municipality was asking the state to contribute $600 million. He noted the municipality had $233 million set aside, which was comprised of a short-term bargaining program including debt and revenue bonds authorized by the municipality. Additionally, funding from federal grants was to be determined. He elaborated that if federal grants did not materialize, the municipality would be forced to use municipal debt to support the project (assuming the project also received the $600 million from the state).

Co-Chair Merrick referenced the range of $1.6 to $1.8 billion and asked about the variation.

Mr. Risvold responded that the numbers changed periodically based on the engineer's forecast. He explained that the dollar amount used for many months was $1.6 billion. There had been a recent update to the numbers provided by Mr. Ames and his colleagues, and he believed the number had been updated to $1.79 billion. He relayed that the updated number was fairly current and would add up to the numbers across the bottom of slide 24. He noted that page 24 added up to $1.792 billion. He highlighted the estimates did not include inflation or cost escalations over time.

Co-Chair Merrick asked if the graph in the middle of slide 27 reflected the total project for Phases 2 through 5.

Mr. Risvold answered affirmatively.

Co-Chair Merrick asked if it was possible to receive a graph reflecting Phase 2 only.

Mr. Risvold agreed.

3:08:13 PM

Representative LeBon asked if the municipality's short-term borrowing was an obligation of the residents of Anchorage in addition to their property tax bill. Alternatively, he asked if it reflected an interim borrowing event that would bridge state or other monies.

Mr. Risvold replied that a short-term borrowing program was a mechanism used to finance major construction projects. He stated it involved borrowing money using short-term rates, which was cost-effective and a savings to the project overall. Eventually, short-term borrowing programs would be required to be converted to long-term revenue bonds. He elaborated that the short-term borrowing program had authorization from the municipal assembly and would eventually turn into long-term revenue bonds. The revenue bonds had been authorized as well. He explained that revenue bonds by the municipality for a project like the port were not required to be approved by the voters. He expounded that the investors relied on the revenue of the port for payment of their investment. He clarified there was no taxing of property owners for debt service for the port revenue bonds.

Representative Carpenter asked about the construction cost estimates. He observed that there was not a construction cost escalation used for projected future costs. He asked what numbers the municipality was contemplating for several years in the future. He could easily see the cost could be much different than it was currently.

Mr. Risvold answered that the municipality had not addressed that question; the municipality was using numbers reflecting present day. He suggested that Mr. Ames may be able to address the question. He reiterated that the municipality was using today's dollars, which was an important factor to note.

Mr. Ames replied that the estimates generated for going into the preliminary design phase were based on a "mid-construction estimate." He explained the estimates were based on prices anticipated through the middle of the construction period to be the prices throughout the project. He elaborated that the numbers would be tweaked as the project got further into the detailed design stage. He clarified that the estimates did consider escalation during the planned construction period. He noted that the numbers would be off if the work commenced much later than anticipated, but the numbers should be reasonable if the work progressed as expected. He remarked that the estimate became more refined as the design was more refined. He added that the docks were still in the concept stage.

3:12:53 PM

Representative Carpenter remarked on forthcoming [federal] infrastructure funding to be distributed to states nationwide. He highlighted that it was already hard to find labor. He could not imagine what the situation would be like in a number of years. He suspected the cost would be larger in a couple of years.

3:13:32 PM

Mr. Risvold turned to slide 28 and discussed the municipality's $600 million request in the FY 22 capital budget. The funding would allow for the completion of cargo terminal 1, which is a portion of Phase 2 of the project and would provide food security for the residents across Alaska. He stated it was the top priority of Mayor Bronson's administration. In order to enter into contracts

for construction activity, an identified source of funds was necessary. He reiterated earlier testimony that $1 billion was needed to start construction of the cargo terminal (terminal 1 and terminal 2). The municipality had $200 million in authorized, but not yet issued, revenue bonds.

Mr. Risvold explained that the municipality had a $100 million authorization of revenue bonds that were in a municipal ordinance a couple of years back. The municipality had sold $65 million of the bonds to refinance $40 million of outstanding debt for the prior project from 2008. Additionally, it had provided $20 million in new money for the PCT. He relayed that another $5 million was needed to fund a debt service reserve account required by investors and to pay cost of issuance fees. There were $35 million in unissued bonds remaining from the original $100 million. He noted an ordinance had recently passed the Anchorage Assembly for $165 million in bonds. The combined amounts resulted in the $200 million authorized, but not yet issued revenue bonds. The municipality hoped to be awarded additional grants on an annual basis by MARAD. The grants were called the RAISE grant and Port Infrastructure Development Program (PIDP). The municipality would continue to actively pursue the grants.

Mr. Risvold continued that the municipality hoped to receive $600 million from the state to reach the $1 billion amount. Additionally, the municipality hoped to continue to gain awards from the federal government. The municipality would ask the Anchorage Assembly to continue to support the project to make up any difference. The funding would enable the project to enter into Phase 2 and into contracts for the entire cargo terminal.

3:17:13 PM

Representative Johnson referenced the mention of food security several places in the presentation. She referenced the deep draft Port of Whittier, the Port of Seward, and Port MacKenzie, which were all accessible by rail, road, or both. She asked how the port in Anchorage would provide additional food security to the state. She remarked that the other ports would be used for imports.

Mr. Risvold responded that the other ports mentioned by Representative Johnson could not handle the ships handled

by the Port of Alaska. He stated it was not practically possible. He explained the other ports were not built with cranes and roll-on/roll-off functionality. He estimated there was five to seven days of food in Anchorage. He stated that if the port failed, the ships could not go to another port.

Mr. Bronson elaborated that the municipality, Jacobs Engineering, TOTE, and Matson, had all looked at it over the years. He stated that with additional funding $5 million had gone towards a RORO ramp in Seward (the total project had been $25 million), which would be helpful in an emergency. He explained that the connectivity to airports, the pipeline, trucking, shipping, and barge traffic already existed in Anchorage. He highlighted that the port in Anchorage was the one tsunami-proof port. He pointed out what had happened in Seward and Whittier in 1964 [during a large-scale earthquake]. He stated the whole threat was an earthquake. He elaborated that an earthquake could cause the port in Anchorage to fall over due to the liquefaction issue; however, the Anchorage port was immune to a tsunami while the other ports were not, which had been demonstrated in 1964. He remarked that Valdez and Homer could possibly be brought in but looking at the trucking traffic to make it happen was not feasible. He noted that the cost would be exorbitant due to the cost of transportation.

Representative Johnson asked if Mr. Bronson was including Port MacKenzie when making the determination there was only one tsunami-proof port. She asked if Port MacKenzie was vulnerable to tsunami as well.

Mr. Bronson answered, "It's certainly in the same structure and that's a different conversation." He stated that Port MacKenzie had no means to offload container ships and did not connect to a pipeline. The other thing to consider when thinking about the upper Cook Inlet was that shippers knew that when building a port, it was necessary to get to 75 percent operating capacity before considering expansion. He detailed that currently the Port of Alaska in Anchorage was operating at about 35 percent in the winter and 40 percent in the summer. He stated that it was a fundamental and economic principle of port design that until 75 percent of operating capacity was reached "you don't start looking for another port."

3:21:45 PM

Representative Carpenter stated it was a valid concern there were not ports currently able to pick up the slack. He referenced the timeframe provided in the presentation of four to six years. He considered the degraded operations on the dock as it currently stood. Additionally, he believed the timeline was to begin construction around 2025. He surmised that based on the timeline there would be degraded operations before construction or demolition of terminal 1 began. He asked how the slack could be picked up if there were no other ports capable of offloading containers.

Mr. Ames answered the concerns were valid, which was the reason the port was critical. He highlighted that the north extension that needed to be fixed due to poor design had been started in the early 2000s foreseeing the problem. He stated that 20 years down the line the problem had worsened. He stated the four to eight years referred to the timeframe in which the engineers called for putting capacity restrictions on the existing terminal. He relayed the existing debt capacity of the terminal was higher than what was needed for the existing operations. He elaborated that the initial restrictions that may be implemented may download the load capacity of the deck, but it would not impact the existing container operations because their operating load was less. Once the six to eight-year range was reached, there may be restrictions and there may be a small section of the terminal that could not tolerate vehicles or they may be limited to loads that could be put on the deck in certain locations.

Mr. Ames characterized the problem as critical. As far as the lack of other ports to pick up the load, it was not just about the fact that ships could not get in, it was about the infrastructure to move the cargo once it arrived. He recognized there was a rail and highway from Seward, but it could not be relied on to handle the weekly volume coming through Anchorage. He pointed out that if an earthquake destroyed the Port of Anchorage, it would likely destroy some of the bridges and highway along the route to Seward, in addition to other areas in Anchorage. He stated it was a concern and the reason it was important to get the more resilient docks up and running.

Representative Carpenter asked where the slack would be picked up once demolition had started if the other ports in Alaska could not be relied on.

Mr. Ames answered that at no time during construction under the current plan would operations be reduced below the current capacity; it was a reason for the long timeframe. He elaborated that currently there were three terminals. He detailed that 2 and 3 were the container terminals that would become 1 and 2. He clarified the existing terminal 1 was the petroleum oil and lubricants terminal that would be picked up by the existing PCT. Meanwhile, container operations could continue. He expounded that terminal 1 would be built just offshore and Matson would move to that location. Subsequently, terminal 2 would be demolished and the new build would be constructed in front of the demolished terminal 2. He explained that the phases ensured that container handling capacity was not diminished during the project.

Representative Carpenter asked for verification that the project did not require any additional use of any of the other ports in Alaska to accommodate construction.

Mr. Ames responded it was more of a shipping company decision about whether they needed to go to other places. He reiterated that the requirement at the Port of Alaska was to keep the capacity available.

3:27:07 PM

Mr. Risvold looked at scenario 1 on slide 29 where the State of Alaska provided a contribution of $600 million. The scenario also assumed the municipality would borrow up to $1 billion, there would be no further federal grants, and port users would pass the increased cost to consumers. There was a current tariff of $3.30, which was a user fee per ton and was part of the tariff 9.0. Under the scenario, the surcharge per ton increase would be $21.90, making the new per ton cost $25.20 (an 8x increase in the surcharge per ton).

Mr. Risvold turned to scenario 2 on slide 30 where the Municipality of Anchorage funded the entire project on its own. Under the scenario, the municipality would borrow $1.6 billion. The scenario included the worst case assumption where no grants of any kind were received from the federal government or the state. The scenario assumed port users would pass increased cost to consumers. He explained that the current port tariff was $3.30. The surcharge per ton

would increase $29.65 to $32.95. He detailed that the per ton cost came out at a 9x increase for users. He highlighted the importance of seaports across all ports and communities of Alaska. The municipality was asking the state to give serious consideration to the grant in order to reduce the amount the municipality needed to borrow and further the benefits to all Alaskans served by the port.

Co-Chair Merrick considered scenario 2 where the state did not contribute to the project. She observed that the scenario indicated the municipality would have to borrow $1.6 billion. She remarked that the total cost was listed at $1.2 billion on slide 24.

Mr. Risvold answered that the $1.2 billion was for the cargo terminals only, so the difference was the other components of Phase 2.

Co-Chair Merrick asked what the other components of Phase 2 were.

Mr. Risvold referenced slide 24 and answered it included cargo terminals 1 and 2. There were two different users of the terminal: one was a lift-on/lift-off crane mechanism and one was a roll-on/roll-off drive the containers off with trucks mechanism. The other parts of Phase 2 included the first step of the north end stabilization of $140 million and an administration building of approximately $10 million. He explained the items made up the $1.2 billion in Phase 2.

Co-Chair Merrick pointed out that slide 30 indicated the municipality needed to borrow $1.6 billion. She asked for clarification on the different amounts given.

Mr. Risvold answered that slides 29 and 30 reflected the cost for the entire project instead of Phase 2 only.

Co-Chair Merrick had been under the impression the requests were only for Phase 2.

Mr. Bronson replied there was an aggregate of five phases. Phase 1 – the PCT - would be complete in the coming month. He detailed that food security was Phase 2 and comprised the entire dock system. Terminal 1 was projected for completion by the end of 2029 and included food security. The contribution request to the legislature was for

terminal 1 in Phase 2. He speculated that the cost would exceed $1.6 billion due to inflation. He explained that for the sake of modeling, if the city had to finance the project, $1.6 billion was what it would need for the entire project (Phases 2 through 5).

3:34:08 PM

Co-Chair Merrick asked for verification that the total cost of terminal 1 was $628 million.

Mr. Ames clarified the numbers. The total cost of Phase 2 was $1.05 billion for the cargo docks. The municipality was requesting a $600 million contribution from the state, which represented a similar contribution of 56 percent provided in Phase 1. The completion of the cargo docks would result in food security. He elaborated that the first terminal would actually provide food security because it resulted in a resilient dock. He noted it also happened to cost $600 million, which matched the 56 percent, but that was merely a coincidence.

Mr. Bronson described the process as living in a house as it was torn down and completely rebuilt. He explained that if the entire thing could be torn down and rebuilt while needs were met via another port, the phasing would not be required. He stated it did not work that way.

3:36:21 PM

Representative Carpenter referenced the per ton surcharge of 8x or 9x [in the two provided scenarios on slides 29 and 30] and asked how long the increase would be passed on to consumers.

Mr. Risvold answered that as debt was issued, the municipality continued to revisit the tariff. He elaborated that the municipality would only issue debt as it was needed, in addition to grants from the state and federal government. As debt was issued, the surcharge would be used to service the debt. He explained that the debt service ramped up as issued over time. He detailed that it would hit a certain high level and the debt service at the high level was approximately $113 million per year. It would remain in place for 17 years and as the initial bond issue started to pay off and mature, it would ramp back down, reflecting a classic bell curve. The municipality would

reduce the per ton surcharge to cover the debt service and other covenants investors may require.

Representative Carpenter was hearing there would be an 8x or 9x increase to the per ton cost that would continue to be passed on to consumers for the next several decades.

Representative Edgmon asked why there was not an effort to tap into the big buckets of money tied to the federal infrastructure act. It was his understanding the port was eligible in theory to access some of the money.

Mr. Risvold referenced slide 27 showing Phase 2 through 5 funding sources. He pointed to a pie chart with a section labeled federal grants to be determined. He explained it reflected where the municipality would go after PIDP, RAISE, and any other grants available under the new Infrastructure Investment and Jobs Act (IIJA). He relayed there were not any known amounts to apply for at present. The known factors were with the two MARAD grants the city believed would continue to be offered on an annual basis. He assured the committee the municipality would continue to apply for the grants and for anything that came from the recently passed IIJA. He explained that the presentation aimed to focus on questions that had been presented to the municipality, which was the reason for the focus on the cost and timing of Phase 2. Information on Phases 2 through 5 had been included because some of the questions were focused on the entire PAMP cost. He remarked that it may not have been as clear on slides 29 and 30.

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Representative Edgmon asked if it was conceivable the project could receive most of its funding through the IIJA.

Mr. Risvold answered it was unlikely. He elaborated there would be a mixture of funding sources. He remarked that it was likely the second largest capital project ever done in the state. He communicated it would take numerous funding sources to complete the project and the municipality would ambitiously pursue every one of the sources. The municipality was present to pursue the committee's consideration of its request. The municipality would do the same with federal grants and MARAD grants and would ask the assembly to authorize additional debt if needed.

Ms. Hickel added that the port funding allocated under IIJA was primarily for large-scale ports and smaller ports, which left the Port of Alaska in the middle. She explained there was a lot of competition for the funds, and the municipality did not anticipate receiving much or anything from the current infrastructure bill.

Representative Edgmon asked if the $600 million request for state funds was being presented because there was surplus oil revenue. Alternatively, he asked if the municipality was requesting the funding regardless of the source such as the Permanent Fund or a bond package. He stated that the bond package as proposed by the governor was something like $320 million.

Mr. Bronson replied that the municipality was present to present a problem, a fix, and the cost of the fix. He did not want to tell the legislature how to do its business in terms of how the funding was structured at the state level. He elaborated that the planning was in place. He stated it was one of the problems in life that enough money would fix.

Representative Edgmon referred to a conversation at the beginning of the presentation about putting in pilings that would be able to withstand seismic shocks for a period of 30 years and the physical risks that would occur if there was another 1964 episode. He remarked on the project being the second largest in the state's history and assumed the first was the pipeline. He asked if there was a strategic plan that accompanied the demand for all five phases of the project completion. He noted that the nearby airport was growing. He wondered about the synergistic effects of the airport and incoming at sea transportation. He remarked that Alaska's population had declined in the past nine years. He spoke to the sequential nature of putting the project together. He underscored that everyone knew the costs for supplies were escalating and skyrocketing in some instances. He referenced the operating capacity cited by the municipality of 35 and 40 percent depending on the season. He wondered about the scale of the project in relation to the aforementioned items.

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Mr. Ames referenced Representative Edgmon's mention of an overall business plan. He relayed that as far as he had

seen there was not a specific master plan related to actual port volumes on the cargo side. He had heard the same statistics Representative Edgmon had mentioned of a 35 to 45 percent occupancy. He explained that because of the criticality of the condition of the structures, the cargo docks were seen as a replacement in-kind that would support the existing capacity and any growth that occurred in the future. He would advocate doing a full master plan related to the cargo docks. On the fuel side, they were in the process of doing that; it was where he saw the volumes potentially increasing more. They were in the process of preparing a petroleum terminal optimization study as part of the port modernization.

Mr. Ames confirmed it was a sequential development. The reason it was sequential on the cargo dock side was because the dock was continuous, and it was necessary to keep the current operations running during development. The petroleum dock had been moved to a later phase. With volumes increasing, the project was looking at whether there was a need to develop an alternative petroleum dock plan and not delay that development. The study was ongoing and should be completed in the coming three months. There were a number of ways to resolve the problem. One was to expand the capacity of the new PCT in terms of unloading fuels and cement. He reiterated that the cargo dock side was about replacing in-kind because of the vital need served by the cargo dock and the understanding they were still underutilized of what they could be in the future; therefore, there would be room for expansion built in.

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Representative Edgmon relayed that his questions were in the spirit of supporting the project because he lived in Southwest Alaska and knew how everything flowed through the port and airport in Anchorage. He noted there was a lot of synergy with rural Alaska and Anchorage. He noted the prices in Anchorage impacted the prices in his district. He stated that $600 million in the current year would be a big bite out of additional oil revenue expected and would compete against many other things.

Representative Johnson would like to be supportive in the sense that the Point MacKenzie and the Anchorage dock had a strong synergy. She stated there was no question with the deep draft and barge traffic. She highlighted that the Mat-

Su Borough had recently received a $8 million grant to develop a roll-on/roll-off dock. She elaborated Mat-Su currently had a barge dock that could handle a 500 foot barge. She detailed it was a deep draft port and incoming ships could have their own offloading cranes. She suggested it was not as big of a problem as far as "when you have to take that down" because there were alternatives. She hoped they could create a synergy between the two ports to make work across the state for Interior Alaska and Anchorage. She hoped it was not a competition but to make the two ports work together somehow. She emphasized that they could and they should.

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Representative Josephson thought the municipality had historically made a strong case for what it sought. He noted it had successfully litigated in the MARAD dispute. He remarked the municipality had skin in the game associated with the project. He shared that he had done a skiff tour and had seen the corrosion firsthand. He stated the issues and need for a resolution were apparent. He looked at slide 27 showing the federal grants were to be determined. He referenced Ms. Hickel's statement that the IIJA was not a great opportunity for the project. He was hearing anecdotally other opinions on the topic. He looked at the pie chart showing an expectation of just under 50 percent from a federal grant. He asked if Mr. Ames could reconcile Ms. Hickel's comment with the slide.

Mr. Ames could not reconcile the slide because he believed there was a slight difference on what the slide showed looking at the whole project compared to his portion of the presentation focused on the cargo docks. The project was working directly with the Port of Alaska that was applying for the grants. Currently, the only two grants out there for application were the PIDP and RAISE grants. He elaborated it had been determined that RAISE grants in the current year were focused on surface transportation, not ports; however, the port was actively pursuing the PIDP grant. The value of what the project was seeking would be in the $20 million range.

Mr. Ames continued that in terms of the infrastructure and mega grants, the project was still investigating what the options were. He noted that the project was looking at the IIJA funds to determine applicability.

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Representative Josephson had some concern over what he interpreted as ambivalence related to the federal grants. He wanted the envelope to be pushed as much as possible, which he believed the state's federal delegation wanted "in a state way where we're not competing with one another." He remarked that the pie chart [on slide 27] needed to work or the project was left with half of a plan.

Mr. Bronson understood the comments and stated it was a difficult ask because the municipality had to identify a $1 billion commitment by the third quarter of 2025. He relayed that he and his team were traveling to Washington D.C. later in the month to meet with Congressional members. He shared that the municipality anticipated that the secretary of transportation would come do a boat tour once the weather warmed up and ice around the pilings melted. He relayed that the municipality had not asked the Department of Defense (DOD); however, the port was not being designed for the new DOD requirement for Bob Hope-class ships. He could not ask the Anchorage taxpayers to finance a DOD requirement; however, the municipality hoped the DOD would come in and help with the project. He spoke to the importance of the ports in Nome and Anchorage and highlighted the port in Anchorage fed 90 percent of the state. He commented that Nome's potential for defending the Arctic was also essential. He stated that the two ports worked together.

Mr. Bronson recognized there were many unknowns and no quick fix. He understood the municipality was asking for a colossal amount of funding. He stressed that the situation was an existential threat to the state. He noted that it would not impact Southeast Alaska because there were other deep saltwater ports in the region. He emphasized that if the dock fell over, all of the other conversations in the state would stop because there would be no food for months if not years. He underscored that if there was no food there were no workers, if there were no workers there would be no oil in the pipeline. He pointed out that if subsistence users needed a snow mobile, boat motor, or spare parts, they would be out of luck. He explained that life would get really bad really fast in rural areas. He stated that the questions people would be asking at their dinner tables were "where does my family go for the next

year or two while we get this mess fixed?" He reiterated there would not be enough food.

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Representative Carpenter appreciated the picture painted. He did not know what an 8x or 9x per ton increase meant in food cost. He pointed out that whether the port fell over or not, there would be an increase in food cost for a generation of Alaskans. He stated they could not squabble over the billions of dollars and put 9x the cost of food on a generation of Alaskans. He thought it was unacceptable. He believed there was no question that the problem needed to be solved, but he wondered at what cost it would be done. He asked if the burden would be placed on people through debt or if the state would use the available resources.

Co-Chair Merrick aligned herself with Representative Josephson about the concern related to federal grants. She stated her understanding from Mr. Ames' testimony that the only thing the state was currently qualified for was $20 million. She stated there was more discussion needed on the topic. She requested further information on how the federal funding would be shored up. Additionally, she requested updated slides 27, 29, and 30 with only Phase 2 information.

HB 283 was HEARD and HELD in committee for further consideration.

She set an amendment deadline for HB 149 for Wednesday, March 16th. She reviewed the schedule for the following meeting.

#
ADJOURNMENT

4:01:33 PM

The meeting was adjourned at 4:01 p.m.