

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

April 27, 2021

1:33 p.m.

MEMBERS PRESENT

Senator Robert Myers, Chair
Senator Peter Micciche
Senator Jesse Kiehl
Senator Mike Shower (via teleconference)

MEMBERS ABSENT

Senator Click Bishop

COMMITTEE CALENDAR

OVERVIEW: ALASKA MUNICIPAL PORTS & HARBORS

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

NILS ANDREASSEN, Executive Director
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Delivered a PowerPoint on Municipal Ports and Harbors.

RACHEL LORD, Executive Secretary
Alaska Association of Harbormasters & Port Administrators
Homer, Alaska

POSITION STATEMENT: Delivered a PowerPoint on Municipal Ports and Harbors.

JOY BAKER, Port Director
Port of Nome
City of Nome
Nome, Alaska

POSITION STATEMENT: Delivered a PowerPoint on Alaska's Deep-Draft Arctic port at Nome.

CARL UCHYTIL, Port Director
Juneau Docks and Harbors
City and Borough of Juneau
Juneau, Alaska

POSITION STATEMENT: Delivered a PowerPoint on the American Society of Civil Engineers Report on ports and harbors.

STEVE RIBUFFO, Port Director
Port of Alaska
Municipality of Anchorage
Anchorage, Alaska

POSITION STATEMENT: Delivered a PowerPoint on the Port of Alaska.

PEGGY MCLAUGHLIN, Port Director
Port of Dutch Harbor
City of Unalaska
Dutch Harbor, Alaska

POSITION STATEMENT: Delivered a PowerPoint on the Port of Dutch Harbor.

SHAWN BELL, Harbormaster
Haines Borough; Member
Board of Directors
Alaska Association of Harbormasters & Port Administrators
Haines, Alaska

POSITION STATEMENT: Delivered a PowerPoint on the Port of Haines.

MARK HILSON, Acting Port & Harbors Director
Ketchikan Port and Harbors
City of Ketchikan
Ketchikan, Alaska

POSITION STATEMENT: Delivered a PowerPoint on the Port of Ketchikan.

ACTION NARRATIVE

[1:33:04 PM](#)

CHAIR ROBERT MYERS called the Senate Transportation Standing Committee meeting to order at 1:33 p.m. Present at the call to order were Senators Kiehl, Shower (via teleconference) and Chair Myers. Senator Micciche arrived as the meeting was in progress.

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CHAIR MYERS announced the business before the committee would be an Overview of the Alaska Municipal Ports and Harbors. He welcomed the first of eight presenters, Mr. Nils Andreassen.

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NILS ANDREASSEN, Executive Director, Alaska Municipal League, Juneau, Alaska, began his presentation by reviewing the municipal perspective, slide 2. He said municipalities own and maintain 112 of 133 ports and harbors or 84 percent of the coastal infrastructure that spans a coast longer than the entire US coast. Municipalities have responsibilities other than ports and harbors, including services for police, hospitals, water, wastewater, and schools. Ports and harbors contribute to economic activity, defense, infrastructure development and public health and safety.

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MR. ANDREASSEN turned to slide 3, which depicted a map showing the location of the 39 Alaska municipal ports and harbors in Alaska.

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MR. ANDREASSEN turned to slide 4, which depicted a map showing the 133 ports and harbors in Alaska color coded as a home-rule city, first-class city, second-class city, or ones registered under federal law. He stated that local governments own 117 public ports and harbors in Alaska, including 17 that were never owned by the state and 82 that were transferred by the Department of Transportation and Public Facilities (DOTPF). The state owns 15 harbors but no ports, he said.

MR. ANDREASSEN reviewed the maps on slides 5-6 that showed the communities served by the Alaska Marine Highway System. He said it is important to note that besides the direct benefits to communities, indirect benefits extend to most Alaskans.

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MR. ANDREASSEN reviewed slide 7, Value of Port Communities. While most of the communities are served by air, the value of port infrastructure translates to the community being better able to be a good partner to the state. These communities have stronger economic activity, contribute more to public education, public safety, and the state's retirement system. These communities take on more debt related to infrastructure.

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MR. ANDREASSEN reviewed statewide planning on slide 8. He noted that AS [44.42.050] requires the state to develop a list of all projects but the state doesn't have a good plan for municipal coastal infrastructure. The state relies on the U.S. Corps of Engineers (USACE) for planning for ports in its long-range Statewide Transportation Infrastructure Plan (STIP) but USACE has not conducted any studies since 2010. He suggested the state might consider that municipal-owned infrastructure has a statewide impact on economic activity, which intersects with intermodal connections to state infrastructure. He acknowledged that there are no good ways to bring these municipal assets into statewide planning.

MR. ANDREASSEN reviewed port and harbor funding on slide 9. Since there is not a mechanism for statewide planning, ports and harbors are left out of the funding process. Within the Statewide Transportation Improvement Program (STIP), some funding is included for AMHS terminals but not for broader improvements to its ports and harbors. The legislature transferred many of its port and harbor assets to local governments through two programs, the Municipal Harbor Facility Matching Grant Program (MHFGP) and the Transportation and Infrastructure Debt Service Reimbursement (TIDSRA), which was created by House Bill 528 in 2002. These are the two ways the state can invest in coastal infrastructure, he said.

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SENATOR MICCICHE joined the meeting.

MR. ANDREASSEN stated that in terms of past port and harbor improvements, the state has not reimbursed local government for those investments from Aleutians East and False Pass harbor to Mat-Su port upgrades.

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MR. ANDREASSEN reviewed the 2011 Regional Ports and Harbor Study on slide 10. He stated that the USACE produced this study consisted of a thorough compendium of regional port and harbor needs. Besides listing recommendations, it also captured the value of the need. However, the study has not been updated since 2011.

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MR. ANDREASSEN turned to slide 11, Intermodal Connections and Road Connectivity. He stated that AML tried to replicate some of

the US Army Corps of Engineer's regional studies. In terms of intermodal connections, the study did not capture all the ports and harbors, but it was clear that ports don't end at the port but connect to communities and statewide infrastructure.

MR. ANDREASSEN reviewed the facility amenities and services as shown on the graph on slide 12. He said each port and harbor provides services based on user needs, many of which are critical.

MR. ANDREASSEN reviewed the capital project costs on slide 13. He related that respondents to AML's recent study reported \$1.6 billion in planned projects. In the ten years since the USACE's regional study, port and harbor needs have increased from \$166 million to \$389 million in unplanned projects, he said.

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MR. ANDREASSEN reviewed the detailed capital project costs shown on slide 14. He said the pandemic changed the decisions made at the local level, including deferring capital project costs.

MR. ANDREASSEN reviewed the facilities scorecard on slide 15. He stated that this infrastructure needs investment and improvements.

MR. ANDREASSEN reviewed the Alaska infrastructure report card on slide 16, which was based on survey responses and gave Alaska an overall score of "D."

MR. ANDREASSEN reviewed the value of ports on slide 17. He stated that investing in ports and harbors also relates to Alaska's economy and the state's overall transportation system since most of Alaska's goods transit these facilities.

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MR. ANDREASSEN reviewed the final slide, "What Choices Will We Make?" At one time, the state decided to make large investments in infrastructure for ports and harbors. He offered his view that if the state currently engaged in a similar level of planning, the state could think differently about infrastructure development.

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SENATOR MICCICHE asked if he had a list of comments from the facilities scorecard and infrastructure scorecard. He noted the discrepancy from a B minus to a D. He noted that facilities

range from very high-quality ones to a few moorings at a river mouth.

MR. ANDREASSEN commented that if the following presenters did not answer his question, he would provide more detailed information. He said it might be as simple as who responded to which survey.

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RACHEL LORD, Executive Secretary, Alaska Association of Harbormasters and Port Administrators (AAHPA), Homer, Alaska, on behalf of AAHPA began a PowerPoint on ports and harbors. AAHPA was incorporated in 1999. The core purpose is to promote and serve Alaska's ports and harbors. This non-profit does this through advocacy, acting as a communication and information resource, and promoting sustainable, safe, and secure infrastructure.

She stated that as shown on slide 3, AAHPA's membership consists of 43 port and harbor facilities, consisting of 39 Alaska Municipal Ports and Harbors, the Alaska Railroad, two Alaska Native associations and the Port of Seattle Fisherman's Terminal.

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MS. LORD reviewed the distribution of ports and facilities as shown on a Department of Transportation and Public Facilities (DOTPF) map [on slide 4]. She stated there could be up to 10 port and harbor facilities within a single municipality.

MS. LORD referred to the maps on slides 5-6. She said AAHPA represents approximately 90 percent of Alaska's municipal port and harbor facilities. She turned to the map on slide 6, noting that AAHPA has nearly 60 agency members and partners that help create and sustain the port and harbor facilities.

MS. LORD reviewed slide 9. She said the association is predicated on the belief that communities are interconnected. Alaska's ports and harbors are critical to nearly every community in the state.

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MS. LORD provided a brief overview of AAHPA's work, which focuses on network and resource sharing. This includes holding an annual conference, producing a monthly newsletter, maintaining an email list, and providing training opportunities through national partnerships. AAHPA engages in advocacy work,

working with the Alaska Municipal League, the legislature, and the Alaska delegation on member-supported issues, including the Harbor Facility Grant Program. AAHPA also acts as subject-matter experts on Alaska's ports and harbors. Finally, AAHPA gathers information to track and understand infrastructure needs, economic benefits, and regulatory hurdles for its members.

She stated that significant infrastructure was associated with docks and harbors, including docks and floats, ramps, utilities, uplands, maintenance, and staffing.

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MS. LORD stated that the association supports the Municipal Harbor Grant Program [slide 11]. This program prioritizes critical projects using an established vetting process. Further, the program provides for a 50 percent local match, which must be in hand before applying for grant funds, she said.

She said AAPHA provides the legislature with resolutions in support from its members, the Alaska Municipal League, and communities throughout Alaska. AAPHA's Board of Directors supports a significant sum for the program to fund harbor recapitalization efforts for the next decade.

MS. LORD reviewed Harbor Grants on slides 14-15. This program significantly leverages local dollars to provide critical needs for the state's intermodal transportation system.

MS. LORD turned to slide 16, which discussed the typical terminology for ports and harbors. In the Lower 48, harbors are often considered marinas and ports and tend to focus on the movement of cargo on and off vessels, whereas in Alaska, these terms are often used interchangeably since many of the state's facilities provide port and marina infrastructure and services.

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MS. LORD said the remaining slides provide some notes from a few communities not presenting today. She stated that slide 17 contained some photographs from Dillingham. Dillingham acts as a hub for the communities [of Portage Creek, Ekwok, New Stuyahok, Koliganek, Clarks Point, Ekuk, Manakotak, Twin Hills and Togiak].

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MS. LORD related that the Aleutians East Borough sent in schematics and photographs of ongoing projects in Akutan and Sand Point as shown on slide 18.

MS. LORD stated that Kake has actively worked on its port and harbor infrastructure [slide 19]. She reported that Kake was in the process of applying for a federal Port Infrastructure Development Grant with the Federal Maritime Administration.

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MS. LORD turned to a photograph and overview of Skagway [on slide 20]. Skagway not only serves the local community but it is part of a larger economic engine in the region, as is the case for most Alaskan communities.

MS. LORD turned to the community notes for Emmonak on slide 21. Emmonak received a \$23 million Better Utilizing Investments to Leverage Development (BUILD) grant. She explained that its port facility would serve the Lower Yukon communities.

MS. LORD advanced to slide 22 and touched on the opportunities ahead. She read the motto, "Strong Alaskan communities make a strong Alaska." She provided her contact information [on slide 23].

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CARL UCHYTIL, Port Director, Juneau Docks and Harbors, City and Borough of Juneau, Juneau, Alaska, said he serves as the past president of the AAHPA and the American Society of Civil Engineers - Alaska Section (ASCE). He said he also authored the Ports and Harbors Report Card for the State of Alaska.

MR. UCHYTIL reviewed slide 2, the 2017 Ports and Harbors Grade: D. He stated that ASCE, Alaska Section, evaluated and reviewed nine infrastructure elements. Overall, the state received a C minus. However, Alaska's Ports and Harbors tied with the Alaska Marine Highway System and the Water and Wastewater for the lowest score. The process was evaluated against criteria, including capacity and condition, funding and future needs, maintenance and operations, public safety and resiliency and innovation. This evaluation was vetted through a national process. In response to Senator Micciche's earlier question, he stated that what dragged down the state's grade to a "D" was the lack of an Arctic Deep Water Port plan, the Port of Anchorage lacked any recapitalization momentum, the Southeast Alaska regional cruise ship approach accommodating the larger neo-Panamax vessels was incomplete. The Small Boat Harbor matching grant was uncertain.

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MR. UCHYTIL reviewed slide 3, ASCE, Alaska Report Card, Ports and Harbors:

- Alaska has 33,000 miles of coastline, more than the entire continental US combined.
- Three of the top 10 fishing ports are in Alaska
 - Dutch Harbor (first by weight), Kodiak & Naknek
- Tourism is essential to Alaska economy
 - Nearly 60% of all tourists arrive via cruise ship
 - Tourism is largest private employer in Southeast Alaska
- The United States is an Arctic Nation but for Alaska

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SENATOR MICCICHE offered his belief that the state invested significantly in its ports and harbors. He suggested that ports and harbors could be evaluated per capita, split between industrial, commercial, and sport uses. He asked whether he genuinely believed that Alaska's ports and harbors deserved such a low score.

R. UCHYTIL responded that he believed the grade was accurate. He pointed out that this grade evaluated ports and harbors in 2017 but the state has made improvements since then. The state was struggling to develop a deep-water port at the time, and the Port of Anchorage had issues. He said he believes the Alaska Report Card grade for ports and harbors will improve in the next evaluation.

SENATOR MICCICHE suggested that other metrics could be considered, including population. He said he would not consider Alaska's ports and harbors to have such a low score. He pointed out that the Arctic Deep Water port was a new concept. He stated that the state continues to secure the matching grants. He said he does not believe Alaska deserves this grade. He did not think the rating should be based on a wish list but it should be a rating on the resources available, what the state can provide, rather than being based on the future.

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CHAIR MYERS asked for the average grade for ports and harbors in the Lower 48.

MR. UCHYTIL answered that ASCE just released its latest report card. The overall score for the U.S. was a "B" for ports and harbors.

MR. UCHYTIL turned to slide 4 and discussed ports and harbors factoids. He stated that Alaska has about 50 small boat ports and harbors, including lodge ramps and remote harbors. In comparison, the Lower 48 has more than 10,000 harbors and marinas.

MR. UCHYTIL discussed the proposed Arctic deep draft port in Nome on slide 5. Joy Baker will speak to this more specifically. He emphasized the importance of a deep draft port by pointing out that the distance between Nome and Los Angeles is the same distance between Nome and Tromso, Norway.

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MR. UCHYTIL reviewed the issue created by the Panamax versus the Neo-Panamax ships. He stated that there is a need to invest in Southeast Alaska cruise ship docks to accommodate the larger vessels. The Panama Canal expansion in 2016 has been significant for cruise lines due to the economies of scale to operate cruise ships. Prior to 2016, Alaska did not have full capacity for Neo-Panamax vessels. The two docks shown on slide 6 could accommodate a 965-foot vessel and an 800-foot vessel. Currently, the Port of Juneau can handle the Neo-Panamax cruise ships.

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MR. UCHYTIL turned to slide 7. He stated that tourism is a regional market. Not only did Juneau expand its docks but new private docks were built in Hoonah, Ward Cove and Ketchikan.

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MR. UCHYTIL discussed the Alaska DOTPF Harbor Facility Grant Program on slide 8. He said the program was established in 2006. It has only been fully funded twice since its inception. Port directors and harbormasters need certainty in funding.

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SENATOR MICCICHE asked whether a local match was available so if the Harbor Facility Grant Program were fully funded, work could commence.

MR. UCHYTIL answered that the program requires municipalities to provide proof of local match before applying for small boat harbor project grants.

SENATOR MICCICHE clarified his question was whether communities have shovel-ready projects if the program were fully funded.

MR. UCHYTIL answered yes. For example, if grant funding were not available in Juneau, the City and Borough of Juneau would move forward on construction using 50 percent of its 50 percent match.

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MR. UCHYTIL referred to Alaska Port & Harbors Grant Funding Win on slide 9, which listed projects:

Emmonak Dock (2018) \$23.1M (BUILD)
Port of Alaska (2019) \$25M (BUILD)
Port of Alaska (2020) \$20M (PIDP)
Port of Seward (2020) \$20M (PIDP)

He said the availability of grant funding has improved.

MR. UCHYTIL reviewed the American Society of Civil Engineers (ASCE) 2021 Ports & Harbors Grade: TBD, noting that the trend is moving in the right direction. Slide 10 read:

- Congress authorization to designate Nome as Deep Draft Arctic Port was more than a decade in the making
- Port of Alaska - Port Modernization Project is underway
- Private Investment for Cruise Ship Docks has built capacity for tourism economy
- Small Boat Harbor matching ADOT Grant remains unfunded and uncertain

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STEVE RIBUFFO, Port Director, Port of Alaska, Municipality of Anchorage, Anchorage, Alaska, turned to slide 2. He stated that 90 percent of the freight that comes to Alaska comes by water and half arrives in Anchorage. About 50 percent of the freight remains in Anchorage and the rest is distributed to destinations via the road and rail system. He reported that the port stayed open during the pandemic. In fact, the port had a record year, moving 4.7 million tons of fuel and cargo in 2020. He stated that this increase was largely due to jet fuel and refined petroleum products. The port also experienced a record year of

\$14.3 billion in revenue in 2020 compared to \$12.7 billion in 2019.

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MR. RIBUFFO referred to slide 3, which illustrated the port as a statewide cargo transport hub. The Anchorage port provides a connection point to the Glenn Highway and the Seward Highway. It lies three-fourths of a mile from the main railyard for the Alaska Railroad and five miles from the Ted Stevens International Airport (AIA). He stated that the North Star Stevedore Terminal and the Alaska Marine Lines Terminal is less than four minutes by truck. He related that a significant amount of the freight offloaded from cargo ships is destined for Western Alaska via barges. The value added as a port relates to the relative closeness to the transportation system to get goods to consumers, he said. The Alaska Port at Anchorage provides a nexus between Joint Base Elmendorf-Richardson (JBER) and the Marathon Nikiski Refinery.

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MR. RIBUFFO discussed the port's three functions on slide 4: commerce, national defense and disaster resiliency and response. The port is one of 17 commercial strategic seaports, providing support to the U.S. Army in Alaska. He said 20 percent of the cargo supports military missions or is sold at the exchanges, commissaries, and gas stations. He highlighted that every state or federal disaster response plan relies on the port. The port is actively involved in disaster planning regularly, he said.

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MR. RIBUFFO reviewed the Port of Alaska Modernization Program (PAMP) points shown on slide 5:

- Replace aging docks and related infrastructure
- Improve operational safety and efficiency
- Accommodate modern shipping operations
- Improve resiliency - to survive extreme seismic events and Cook Inlet's harsh marine environment

MR. RIBUFFO stated that the Port of Alaska had just turned 60 years old. The port suffers from a significant corrosion problem. The best solution is to demolish and rebuild a resilient facility completely.

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MR. RIBUFFO stated that the project's first phase is the Petroleum and Cement terminal. Landside construction began in

2017. In 2020, underwater construction of the trestle and platform occurred, as shown on slides 6-7.

MR. RIBUFFO turned to slide 8, a video clip depicting the construction project. He identified the contractor as Pacific Pile and Marine. He described the work necessary to turn the platform into a working dock, including installing mooring dolphins and catwalks, connecting hoses to a cement infrastructure for offloading cement that will tie into the existing petroleum plumbing through the valve yard to the 3.1 million barrels of petroleum storage at the port. He estimated that the petroleum and cement terminal construction would be finished by late November 2021. He anticipated that a ribbon-cutting ceremony would be held in December 2021.

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MR. RIBUFFO described the North Extension Stabilization Project shown on slide 10. He stated that the Municipality of Anchorage submitted a request to CAPSIS for \$136 million, of which \$121 million would be for Phase 1 of the project and \$15 million would cover onshore facilities replacement. This was the only project submitted. He directed attention to the foreground, which showed the failed expansion project. Unfortunately, that project was declared unstable and must be removed. The port is currently in litigation with the Federal Maritime Administration (FMA) but it hopes to prevail sometime in the early fall. He characterized the project as "shovel ready."

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MR. RIBUFFO turned to slide 10. He discussed the \$121 million in 2022 construction, including that the first portion of the north end must be removed before construction. Once construction begins, the port will need room to maneuver vessels safely to the main dock since it will be operational during construction. Otherwise, it would be difficult for Matson and TOTE Maritime to maneuver its sizeable vessels. In fact, it would be dangerous to do so, especially during winter storms and winds. He hoped that funding for the dock removal would come from the settlement with FMA; if not, the port will need to borrow financing because the project must be built.

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MS. LORD noted that Brian Hawkins, the Homer Harbormaster, may not testify today.

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JOY BAKER, Port Director, Port of Nome, City of Nome, Nome, Alaska, reviewed a graphic on slide 2 showing the extent of vessel movement in the Bering Strait during the ice-free season, despite the remoteness of the area. The table on slide 12 showed the number of northbound and southbound vessels from 2009-2020. She pointed out the increase in traffic was 110 percent during this 12-year period.

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MS. BAKER stated that the Port of Nome serves as a critical refuel and resupply point for vessels traveling to and from the Northwest Passage. This has placed additional demand on the three ports shown on slide 3, Ship Resupply.

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MS. BAKER discussed commodity movement on slide 4. She reported that cargo and fuel are their primary commodities. Still, the port continues to see an overwhelming growth in exporting rock, gravel, and sand materials for construction projects throughout the region. She directed attention to the green bars on the bar graph, which show gravel tonnage. She said she anticipated that in 2021, the port would export more material than in 2020. The area experienced low construction in the region for several years, but ample local construction projects are happening.

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MS. BAKER turned to recent port improvements on slide 5. Although she won't cover the individual projects listed, members may wish to review them. She stated that this shows port improvement projects in active and planning status. Just as other port directors indicated today, Nome has numerous infrastructure gaps. As the vessel traffic continues to grow, the Port of Nome lags. The city has worked to get projects to shovel-ready status, then apply for federal grants. She said the city understands it must provide match funds for projects.

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MS. BAKER turned to slide 6, which shows the dredge area for the U.S. Army Corps of Engineers (USACE). This feasibility study will expand and deepen the federal dredge limits to mitigate significant vessel congestion in Nome's small boat harbor. She said smaller vessels would moor upriver to allow cargo gravel and fuel vessels to operate safely in the harbor and move their products more efficiently.

MS. BAKER pointed out the Snake River Development funding phase as a smaller side project shown on slide 7. She stated that this

schematic shows the conceptual layout of the moorage system and shoreside development, which would separate the smaller vessel traffic from the larger ones.

MS. BAKER advanced to slide 8, Port Waste Reception Facility at Nome. She said this would be the first port waste reception facility in the Arctic. She related that significant concern exists about oil spills, discharges, and bilge water. The City of Nome hopes to develop the project in the next two or three years.

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MS. BAKER reviewed the port expansion design phase on slide 9, which she said was also known as the Arctic Deep-Draft Port. She stated that the 116th Congress authorized the design and construction last December. The City of Nome is in the process of signing a design agreement with the US Army Corps of Engineers (USACE), so the design would likely begin in a couple of weeks. It appears that the USACE is considering a phased approach to extend the existing causeway on the west side first. Next, dredging would occur in phase 2, followed by relocating the east breakwater as a causeway in phase 3. She said she hopes the concept design will be available by the end of the year. This project would provide five additional docks to add to the three current docks at the Port of Nome.

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MS. BAKER emphasized the targeted benefits of the deep-draft port at Nome on slide 10, including enhancing national security and life safety, environmental safety, economic and cultural sustainability, research, and tourism. The photo insert shows tracking for the LNG tankers that came through unescorted in January 2021. It could have turned out very differently, she said. The Port of Nome needs to be prepared, so it is doing what it can to develop and grow its infrastructure.

MS. BAKER acknowledged that the ports and harbors in Alaska all have significant needs. She said everyone needs to do their part to help raise the ASCE Report Card score.

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MS. BAKER turned to slide 11, which depicted a cartoon drawing showing the proposed expansion.

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CHAIR MYERS reconvened the meeting.

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PEGGY MCLAUGHLIN, Port Director, Port of Dutch Harbor, City of Unalaska, Dutch Harbor, Alaska, stated that she also serves as the Vice President of the Alaska Association of Harbormasters and Port Administrators (AAHPA). She began a PowerPoint to identify port projects, emphasize the need for infrastructure, and demonstrate how interconnectivity bolsters commerce throughout Alaska. Slide 1 showed a photo of the Unalaska Marine Center. She highlighted the Port of Dutch Harbor's three major projects for rehabilitation: Unalaska Marine Center's \$40 million expansion program, dredging the Iliuliuk entrance channel and upgrades to the Robert Storrs Harbor.

MS. MCLAUGHLIN described the importance of Dutch Harbor. First, the international port of Dutch Harbor is the westernmost container terminal in the U.S. Second, Dutch Harbor is the only international container terminal in the state. Two international ships sail to Dutch Harbor on a weekly basis and a third company ships international containers on a seasonal basis. Third, Dutch Harbor is a year-round, ice-free port. It is the southernmost port in the Arctic, sitting on the great circle route. Finally, Dutch Harbor is the largest fishing port in the nation.

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MS. MCLAUGHLIN turned to an illustration of the Robert Storrs Harbor on slide 2. Since USACE is picking up the Iliuliuk Entrance Channel dredging project, the Robert Storrs Harbor is a priority for the community. She said the harbor is a state-owned facility and was transferred to the city for \$1 and towed to its current location. However, the 40-year-old harbor has failing electrical and water systems so it costs more to repair than to replace. This project would double the harbor capacity and accommodate the vessels on the waiting list. It would strengthen the system to handle winds, replace the electrical system and provide year-round water, fire suppression and access for the Americans with Disabilities Act (ADA). This harbor serves the 60-foot and under class of vessels and is the home harbor for the state's fishery vessels.

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MS. MCLAUGHLIN reviewed the Unalaska and Dutch Harbor statistics on slide 3, which compared the Dutch Harbor port to the Unalaska Marine Center. She reported that nearly 60,000 containers cross the Unalaska Marine Center municipally owned port facility. She

highlighted Dutch Harbor transfers over 2.6 billion pounds of cargo annually, over 60 million gallons of fuel and the community receives 120,000 to 125,000 40-foot containers.

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MS. MCLAUGHLIN turned to slide 4, which showed the Aleutians Domestic Shipping Routes. She emphasized that nothing happens in a vacuum in the shipping world. This slide illustrates the shipping routes from Tacoma to Anchorage and Kodiak. Anchorage moves cargo from its port to the rail and Railbelt system. Kodiak serves its outlying communities with barge service. Unalaska serves Akutan, St. Paul, Sand Point and King Cove. She characterized this as being a hub system so if something were to happen, it would impact everyone in the system. For example, if processors can't obtain supplies, they can't process their fish.

MS. MCLAUGHLIN reviewed the Fuel Routes on slide 5. The blue line represents the Great Circle Route, which provides the most direct route from the Western US to Asia. The fuel distribution and barges follow that line, she said. While not every vessel stops in Dutch Harbor, every vessel passes through it. Dutch Harbor provides a fuel storage hub for places north that are iced over and supplies fuel to some of the local island areas. She said Dutch Harbor currently transfers fuel to vessels while they are on the water.

MS. MCLAUGHLIN said the US Army Corps of Engineers (USACE) performed a cost-benefit analysis and determined it was economically beneficial to dredge to 60-foot depth to better serve fuel tankers. In addition, the dredging is important because container ships are not getting smaller. She reported that the D7 class vessels that serve Anchorage and Dutch Harbor are almost 35 years old.

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MS. MCLAUGHLIN highlighted the Great Circle Route Traffic on slide 6, which captured a one-day snapshot of vessel traffic. She stated that the green triangles on the slide represented the bigger ships, such as tankers and container ships. She said about 4,500 of these larger vessels pass through Dutch Harbor each year. She directed attention to numerous triangles along the coastline, busy with vessel traffic. Thus, coastal ports need infrastructure to service fuel and cargo. She reiterated that what happens in one port affects the other ports because of their interconnectivity.

MS. MCLAUGHLIN discussed slide 7, "Three-month Vessel Traffic to Dutch Harbor." She explained that this slide depicts lines that provide a visual sense of the Dutch Harbor's vessel traffic that serves Dutch Harbor, King Cove, False Pass, Sand Point and Kodiak ports. First, these vessels purchase supplies and fuel, deliver fish and cargo, and need moorage. Finally, their crews fly out on planes, which means more fuel sales and transfers in the communities. The City of Unalaska and AAHPA strive to promote maritime aspects because it supports other ports and harbors, providing jobs, revenue, and commerce throughout Alaska.

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MS. MCLAUGHLIN turned to last slide, Aleutians: Marine Transportation Capital Projects, which listed the funding for the three Dutch Harbor/Unalaska projects:

- USACE: ILIULIUK ENTRANCE CHANNEL DREDGING \$40 million
- Robert Storrs Harbor \$9 million
- Unalaska Cruise ship terminal \$13 million.

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CHAIR MYERS advised members that this ended the formal slide presentations but two additional presenters were online.

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SHAWN BELL, Harbormaster, Haines Borough; Member, Board of Directors, Alaska Association of Harbormasters & Port Administrators (AAHPA), Haines, Alaska, stated he has fond memories of his family's setnet site at Clam Gulch on the Kenai Peninsula and of commercial fishing in Cook Inlet and Bristol Bay. He said Alaska's waterfront infrastructure is essential because fishing fleets depend on them to safeguard their vessels, businesses rely on ports to deliver necessary goods and community members enjoy these facilities for the quality of life they bring. In touring some of Alaska's ports and harbors, he has witnessed the success stories of well-planned and executed projects as well as the struggles of underfunded and failing facilities due to impacts from the harsh Alaska environment over time. Although this PowerPoint will report on the conditions and needs of Haines's ports and harbors, these issues are not unique to Haines but are shared by most small communities in Southeast Alaska.

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MR. BELL Haines presented a PowerPoint update of the Haines ports and harbors. He explained that Haines inherited its ports and harbor facilities from the state and federal government.

MR. BELL reviewed the Lutak Dock Cargo Port history on slides 1-2. The Haines Lutak Dock was built in 1953 by the U.S. Army Corps of Engineers (USACE). Ownership is split between AMHS and the Haines Borough, he said. After the state transferred ownership of the dock to the Haines Borough, the community and the state benefited from imports and exports of fuel, timber, and cargo. Since Haines is connected to the road system, the Haines harbor and port facilities also benefit many other communities, he said.

MR. BELL turned to slide 3. The photographs show the structural condition of the Lutak Dock, which is failing due to its age and the engineering practices used during construction. He cited the structural assessment by PND Engineers, Inc., which indicated that the structure has reached the end of its 60-year service life and further utilization is effectively on borrowed time. This assessment was given seven years ago, he said. Alaska's cargo ports are important to Alaska to encourage growth and foster private industry investment. He expressed concern that private industry will not invest in the Haines community if it cannot rely on safe and functional port and harbor facilities.

MR. BELL reviewed the Haines Small Boat Harbor on slide 4. He stated that the harbors in Haines were also transferred to the Haines Borough from the state. In 2008, using the Municipal Harbor Grant Program funding, the Haines Borough replaced the Haines small boat harbor's concrete floats. With further assistance from the state, Haines has made progress towards a much overdue harbor expansion. The project planning began 30 years ago, he said.

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MR. BELL reviewed photographs on slide 5 that illustrated the 2017 construction project to extend the harbor breakwater and dredge out a new basin and provide for additional upland. The picture shows an open basin since the work is not yet completed. He turned to slide 6, to a cartoon image showing what the finished project would look like. The Haines Borough has stretched its funding to the limit for this project. However, Haines still lacks funding for the drive-down work float to support the fishing fleet and the new moorage floats for the expanded harbor basin. Although this project will be an economic driver for Haines, its benefits will ripple through the state.

MR. BELL concluded the presentation by stating that he described two facilities critical to Haines and ultimately to the state. However, many small coastal communities received critical waterfront infrastructure that is old and inadequate. These communities have partnered with the state and federal government and local industry to keep them functional. These small communities cannot support the multimillion-dollar projects to remedy the infrastructure. Since Alaska is a maritime state, it must invest in coastal infrastructure to thrive as a state. These projects will not only benefit local residents but the entire state, he said.

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MARK HILSON, Acting Port & Harbors Director, Ketchikan Port and Harbor, Ketchikan, Alaska, began the presentation by stating that rather than focusing on Ketchikan's infrastructure, he would address the financial implications to the Port of Ketchikan due to the pandemic.

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MR. HILSON stated that slide 1 showed the four berth docks that parallel the downtown core. He noted that the Port of Ketchikan is a deep-water port capable of accommodating 1.2 million cruise ship passengers each year. He expressed concern that the port has a limited ability to accept Panamax vessels but the industry is transitioning to these larger vessels. Alaska has a network of ports that work in concert to provide attractive cruise ship itineraries. Due to Ketchikan's location, it is usually the first or last stop for cruise ships. Although the port infrastructure is valued in the hundreds of millions of dollars, it was unused in 2020 and may not be used during 2021.

MR. HILSON turned to Ketchikan Harbors shown in photographs on slide 2. Four of its five harbors were transferred from the state to the City of Ketchikan, he said. The city float was constructed by the city but the rest of the harbors were constructed by the state or territory prior to statehood. All its harbors, except for Bar Harbor were rebuilt. Since Ketchikan is on an island, these harbors provide necessary infrastructure to accommodate Alaskan residents with their water transportation needs. Further, the harbor offers mooring for yachts, he said.

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MR. HILSON reviewed the "Current Situation" on slide 3, which read:

- Port Fund

- Began 2020 with a \$10.8M reserve but now in danger of insolvency due to loss of 2020 and 2021 Cruise Seasons (\$21.3M)
- Absent an infusion of funds from other sources, the City will have to transfer other City controlled funds in order to keep the Port Fund solvent.
- Harbor Fund
 - The Harbor Fund has suffered losses due to a lack of seasonal moorage revenue due to the effects of the pandemic.
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MR. HILSON said the main economic driver for the community is sidelined. Thus, Ketchikan has been disproportionately affected by the pandemic. He reported that the Port Fund will be insolvent by the end of 2021. He stated that the Port Fund would need an infusion of \$3.2 million to remain solvent. The Harbor Fund finances are closely tied to the port since they share expenses.

MR. HILSON, in response to Senator Micciche's earlier question to Mr. Uchytel, stated that the City of Ketchikan was not in any position to match a 50-percent Municipal Harbor Facility Grant. He suggested that it was not likely to do so in the near future. He displayed a bar chart on slide 4 showing the Port Fund revenues from 2016 to 2021. Port revenues were \$10 million in 2019 but dropped to virtually nothing in 2020 and will likely be nothing in 2021.

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MR. HILSON turned to slide 5, "How to Finance Needs?" He paraphrased slide 5, which read:

- Given the existing fiscal constraints on the Port Enterprise Fund, loss of passengers to Ward Cove, disruption of the local economy and the City's current debt load, conventional financing to undertake further improvements to the Port may be unlikely for the near term.
- Even if conventional financing were available, voter approval of additional debt is highly questionable

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MR. HILSON stated that the City of Ketchikan used conventional financing to redo one berth. However, conventional financing will not be an option. He offered his belief that the Ward Cove development was good overall but it would likely cause some headwinds for Ketchikan.

MR. HILSON paraphrased the "Immediate Needs" on slide 6, which read:

- Port Debt Service, Lease Payments, and Operations.
 - Port Projects
 - Berth III Mooring Dolphins and Bollards (\$5M)
(Shovel Ready) Berth I and II Corrosion
Maintenance and Cathodic Protection (\$15M)
- Harbor Projects
 - Bar Harbor Concrete Float Replacements (\$7.5M)

MR. HILSON said with little incoming revenue it is virtually impossible for the City of Ketchikan to continue with its port and harbor projects, several of which are shovel ready. For example, the City of Ketchikan would like to expand one of its existing berths to accommodate the Neo-Panamax vessels that the industry is rapidly moving towards.

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MR. HILSON reviewed the bullet points on slide 3 "More Rough Seas Ahead" that read as follows:

- With no cruise ships in 2020 and 2021, Ketchikan anticipates losing approximately \$33M in revenue overall.
- Fixed costs (P&H operations, Berth III Debt Service, Berth IV Lease Obligations) will continue to drain the Port Fund.
- The longer maintenance is deferred, the more expensive it will become.
- Port Fund revenue recovery will be slower since the City is now in a competitive environment with the new berths at Ward Cove. The McDowell Group estimates that Ward Cove will reduce City revenues by 20%.
- Lingering Pandemic effects for 2022 cruise season.

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MR. HILSON concluded the presentation with a quote by Mayor Robert Sivertsen to Governor Dunleavy on March 12, 2021, shown on slide 8, which read as follows:

The City of Ketchikan's financial future is uncertain and we look to the State of Alaska as our last option to stabilize what has become a financial tailspin for us and all tourism communities that rely on cruise passenger visitation. The City of Ketchikan asks your office to prioritize the financial effects the pandemic has waged on Alaska's cruise port communities when the State considers how to best direct its portion of American Rescue Plan relief funds.

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SENATOR MICCICHE acknowledged that Ketchikan was in a rough place due to the lack of revenue. He suggested that he would contact some of the presenters, including Mr. Bell, Mr. Uchytel, Ms. Lord and Mr. Hawkins, about the Municipal Harbor Facilities Grant funding. He welcomed members to join him, perhaps by teleconference, so applicants could provide more detail to understand the priorities better. He estimated the applications totaled \$23 million. He surmised the grant requests required a 50 percent match.

3:03:07 PM

There being no further business to come before the committee, Chair Myers adjourned the Senate Transportation Standing Committee meeting at 3:03 p.m.