

**ALASKA STATE LEGISLATURE**  
**SENATE TRANSPORTATION STANDING COMMITTEE**

April 4, 2024

1:32 p.m.

**MEMBERS PRESENT**

Senator James Kaufman, Chair  
Senator David Wilson, Vice Chair  
Senator Jesse Kiehl  
Senator Robert Myers

**MEMBERS ABSENT**

Senator Löki Tobin

**COMMITTEE CALENDAR**

HOUSE JOINT RESOLUTION NO. 19 AM

Supporting the completion of the Port MacKenzie Rail Extension and the Northern Rail Extension; supporting the increase in defensive capabilities at Fort Greely, Alaska; encouraging a renewed commitment by the Alaska Railroad to a community-minded approach to future rail expansion; and encouraging the development of critical Arctic infrastructure.

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HJR 19

SHORT TITLE: PORT MACKENZIE & NORTHERN RAIL EXTENSIONS

SPONSOR(S): TRANSPORTATION

02/14/24	(H)	READ THE FIRST TIME - REFERRALS
02/14/24	(H)	TRA, MLV
02/22/24	(H)	TRA AT 1:30 PM BARNES 124
02/22/24	(H)	-- MEETING CANCELED --
02/27/24	(H)	TRA AT 1:30 PM BARNES 124
02/27/24	(H)	Moved HJR 19 Out of Committee
02/27/24	(H)	MINUTE(TRA)
02/28/24	(H)	TRA RPT 6DP 1NR
02/28/24	(H)	DP: STUTES, MCKAY, VANCE, SUMNER, C. JOHNSON, MCCABE
02/28/24	(H)	NR: MINA
02/28/24	(H)	MLV REFERRAL REMOVED

03/06/24 (H) TRANSMITTED TO (S)  
03/06/24 (H) VERSION: HJR 19 AM  
03/07/24 (S) READ THE FIRST TIME - REFERRALS  
03/07/24 (S) TRA  
04/04/24 (S) TRA AT 1:30 PM BUTROVICH 205

#### **WITNESS REGISTER**

REPRESENTATIVE KEVIN MCCABE, District 30  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Introduced HJR 19 on behalf of the House Transportation Standing Committee.

JULIE MORRIS, Staff  
Representative Kevin McCabe  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided comments and answered questions on HJR 19.

BILL O LEARY, President and CEO  
Alaska Railroad Corporation  
Anchorage, Alaska

**POSITION STATEMENT:** Gave invited testimony on HJR 19.

MIKE BROWN, Manager  
Matanuska-Susitna Borough  
Palmer, Alaska

**POSITION STATEMENT:** Gave invited testimony on HJR 19.

#### **ACTION NARRATIVE**

[1:32:27 PM](#)

**CHAIR JAMES KAUFMAN** called the Senate Transportation Standing Committee meeting to order at 1:32 p.m. Present at the call to order were Senators Myers, Kiehl, and Chair Kaufman. Senator Wilson arrived thereafter.

#### **HJR 19-PORT MACKENZIE & NORTHERN RAIL EXTENSIONS**

[1:33:40 PM](#)

**CHAIR KAUFMAN** announced the consideration of HOUSE JOINT RESOLUTION NO. 19 am "Supporting the completion of the Port MacKenzie Rail Extension and the Northern Rail Extension; supporting the increase in defensive capabilities at Fort Greely, Alaska; encouraging a renewed commitment by the Alaska

Railroad to a community-minded approach to future rail expansion; and encouraging the development of critical Arctic infrastructure."

This is the first hearing of HJR 19.

[1:34:11 PM](#)

REPRESENTATIVE MCCABE, District 30, Alaska State Legislature, Juneau, Alaska, introduced HJR 19 on behalf of the House Transportation Standing Committee, reading from the following statement:

[Original punctuation provided.]

- This Resolution emphasizes the completion of two crucial rail extensions, the Port MacKenzie Rail Extension and the Northern Rail Extension, alongside efforts to bolster Alaska's infrastructure and defense capabilities.
- Given Alaska's strategic position bordering the Arctic Ocean and recent defense expansions at Fort Greely, these projects are deemed significant.
- Phase I of the Northern Rail Extension, including crossing the Tanana River, marks a notable milestone, positioning the rail line closer to Delta Junction and Fort Greely.
- The Resolution stresses the importance of seamless rail connectivity, especially for sustaining military operations amidst expansions in defense infrastructure.
- The commendable progress by the Mat Su Borough and the Alaska Railroad on the Port MacKenzie Rail Extension promises to reduce energy and transportation costs, improve air quality, and facilitate efficient movement of resources and goods to and from Interior Alaska to tidewater.
- Extending the Alaska Railroad from Port MacKenzie to Houston, Delta Junction, and Fort Greely aligns with long-term objectives of promoting

economic integration and enhancing transportation networks.

- These extensions offer significant economic and resource development benefits, including road infrastructure relief, particularly for mining operations in Delta Junction and Tetlin, as well as the agricultural industry in the Delta Junction area.
- In conclusion, the resolution reaffirms the commitment to fostering economic development, enhancing defense readiness, and promoting community engagement in critical infrastructure projects vital to Alaska's long-term prosperity and security.

[1:37:17 PM](#)

SENATOR KIEHL asked where the northern rail extension ends.

[1:37:26 PM](#)

JULIE MORRIS, Staff, Representative Kevin McCabe, Alaska State Legislature, Juneau, Alaska, replied it is in four phases then deferred to ARRC.

[1:37:49 PM](#)

BILL O LEARY, President and CEO, Alaska Railroad Corporation, Anchorage, Alaska, said the northern rail extension, as currently envisioned, would terminate at Delta Junction.

[1:38:22 PM](#)

CHAIR KAUFMAN invited Mr. O'Leary to continue testifying.

[1:38:26 PM](#)

MR. O'LEARY said Alaska Railroad Corporation (ARRC) fully supports HJR 19, related to the Port MacKenzie Railway Extension (PMRE) and the Northern Rail Extension. He said both are well-developed projects that would fit well in a state that, he opined, is bereft of basic infrastructure such as transportation infrastructure. He referred to documents provided to the committee, including a letter of support for HJR 19 by ARRC management. He said there was also a recent Alaska Railroad Corporation (ARRC) board of directors meeting during which a resolution supporting the Port MacKenzie rail extension was approved and is a companion to a board resolution passed last year supporting the Northern Rail Extension. He said ARRC has taken a leadership role in these two projects, especially over

the past 6 months. ARRC has discussed opportunities for paths forward with numerous and diverse stakeholders, including legislators, the governor's office, Alaska's congressional delegation, the Mat-Su borough, the Alaska Industrial Development and Export Authority, the military, U.S Department of Transportation and several private industry interests.

MR. O'LEARY said ARRC is currently pursuing funding options for the proposed rail extension projects, including a congressionally directed spending request to Senator Murkowski's and Representative Peltola's offices for the Northern Rail Extension as well as grant applications through the U.S. Department of Transportation's Mega Grant Program (the National Infrastructure Project Assistance program) in conjunction with the Mat-Su Borough.

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MR. O'LEARY said ARRC cannot do this alone and considers these projects statewide development projects. He said he believed applying for the [federal] grants would be the right thing to do and that it will be challenging between developing a positive benefit-cost analysis and determining the [source(s) of] the match required. He said the required match [funds] far exceed what ARRC can provide, and they are actively working towards that presently. He reiterated that ARRC is in support of HJR 19 and excited to work on these projects with the various stakeholders mentioned.

[1:42:02 PM](#)

SENATOR MYERS asked specifically what business interests exist for the proposed rail extension projects beyond the military. He asked if the military alone would provide enough business to pay for the maintenance and operations [of the railroad extensions].

[1:42:52 PM](#)

MR. O'LEARY responded that Alaska Railroad Corporation (ARRC) has been engaged with that question since the infancy of the project in the early 2000s. He said the initial thinking behind the rail extension project was primarily to support the military. He noted that they are still exploring military support and that the significant change in [military] personnel has complicated the ability to gauge the interest of the military for this project either in supporting the delta area or providing access to the training grounds. He opined that a rail extension of this magnitude would find multiple uses. He suggested that mine developers would view it positively as well as other development opportunities in the Interior. He said

there were no specific contracts in place or being contemplated that would provide sufficient funds for operation and maintenance costs.

[1:44:55 PM](#)

SENATOR MYERS noted that consideration of the ARRC Northern Rail Extensions led to consideration of connections with Canada, and hence, the rest of the U.S. He asked specifically about a 2019/2020 joint [U.S. and Canada] project which fell apart and whether Mr. O'Leary could offer an update or explanation of that effort and what caused it to fall apart.

[1:45:36 PM](#)

MR. O'LEARY said ARRC worked cooperatively with the Alaska-to-Alberta (A2A) project to connect the Alaska rail system to Canada beginning around 2016. The group was primarily focused on moving tar sands or bitumen from Alberta. He recalled that there were some issues with funding and that there were investigations by the Canadian securities regulators into A2A and its funding group. He said he was not aware of any work or initiatives issuing from that group and that he thinks the group may be in bankruptcy.

[1:47:37 PM](#)

SENATOR MYERS referred to Fort Greely as a potential customer of the northern rail extension. He noted that Fort Greely has been significantly supplied through the Port of Valdez. He wondered whether extending the rail beyond Fort Greely to Valdez had been contemplated.

[1:48:09 PM](#)

MR. O'LEARY said the A2A group had done some work on that, though he couldn't say how developed those plans were. He said ARRC has been looking at what rail extensions could make sense for the state moving forward based on known development or that could enhance development. He said most of the work done to consider rail extension to Valdez would have been done by A2A.

[1:48:58 PM](#)

SENATOR KIEHL noting budget decisions around the state, sought to ensure support for ARRC's greatest needs. He asked whether ARRC had a maintenance backlog.

[1:49:29 PM](#)

MR. O'LEARY answered yes; that [railroad operation] is an amazingly capital-intensive industry.

[1:49:38 PM](#)

Senator Wilson joined the meeting.

[1:49:40 PM](#)

MR. O'LEARY said when the state purchased the railroad from the federal government, it was in serious disrepair. He said ARRC has put great effort and resources toward the plant, the infrastructure, the rolling stock and everything with it to bring it up to modern safety standards and operational efficiency. He said around December 1st ARRC provided to the legislature the five-year capital investment plan. The plan showed the funded approach of almost \$500 million dollars for capital maintenance and capital projects over the next five years. He said even that would not be enough to get the railroad where it needed to be.

[1:50:56 PM](#)

SENATOR KIEHL asked where the Port MacKenzie and Northern rail extension projects fell in that plan.

[1:51:10 PM](#)

MR. O'LEARY answered that these projects were not in that 5-year plan. He characterized the Port MacKenzie and Northern Rail Extension projects as statewide economic development projects. He said the five-year plan that was produced and approved by the ARRC board applied to the existing infrastructure.

[1:51:48 PM](#)

SENATOR MYERS asked whether the rail extension at Port MacKenzie would result in a transfer of business from the Port of Alaska to Port MacKenzie or more overall growth.

[1:52:21 PM](#)

MR. O'LEARY pointed out that Port MacKenzie and the Port of Alaska are very different ports, with different specialties. He characterized Port MacKenzie as more of a natural resource export port. He said the Port of Alaska handles more fuels and container traffic. He deferred to Mr. Brown for more in depth discussion about the potential change to overall traffic or redistribution of traffic at the ports.

[1:53:53 PM](#)

MIKE BROWN, Manager, Matanuska-Susitna Borough, Palmer, Alaska, thanked the committee and said he was there to speak in support of HJR 19. He said the Port MacKenzie Rail Extension is designed to open a 32-mile rail corridor from Port MacKenzie to the rail mainline in Houston, Alaska. The project would create a more

direct rail connection from Interior Alaska to true tidewater where Port MacKenzie is located. He said the project has received \$184 million in state legislative grant and bond funding to date and the last funding was received in fiscal year 2015. The cost of the remaining work to complete the project is estimated to be between \$250 to \$275 million, depending on the timing of the funding. He noted the project began in 2006 with an environmental impact study completed in March 2011 and has remained idle for several years. The placement of rail, ties, ballast and signals has yet to be completed except for segment 6, which is near the connection to the main line in Houston. He said this project has been designed, permitted and is about 50 percent complete and he emphasized that there has yet to be realized any tangible public benefit for the \$184 million state investment. He reiterated Mat-Su Borough's support for HJR 19 and for completing the project.

MR. BROWN confirmed the partnership between the Mat-Su Borough and Alaska Railroad Corporation (ARRC) in pursuit of the Federal grant to complete the rail project. He said that if the grant is awarded, around \$55 million in non-federal matching funds would be required. He noted that Mat-Su and ARRC would reach to the state legislature for funding support to finish the projects. He emphasized that passage of HJR 19 would be helpful if it could be included in the joint grant application, due May 6. He said the Mat-Su Borough and ARRC would also be reaching out to Alaska's congressional delegation for support. He said they had already received letters of support from Senator Murkowski's office. He stated that there had not been significant track mileage added to the railroad since the state inherited it and that there is an opportunity to do something historic. He noted the discussion of transferring business versus developing new business opportunities and stated that, in light of what has already been accomplished toward building the Port MacKenzie Rail Extension (PMRE), it could be completed relatively quickly if the additional funding were made available. He expressed strong interest in moving the rail extension project forward and moving past the state funding pause that occurred in 2015.

[1:58:45 PM](#)

CHAIR KAUFMAN opened public testimony on HJR 19; finding none, he closed public testimony.

[1:59:19 PM](#)

SENATOR MYERS referred to HJR 19, page 2, lines 24 and 28 and asked, in light of:

1. the current shortage of Cook Inlet natural gas and

2. that Fairbanks is switching its natural gas source from Cook Inlet to North Slope  
Why HJR 19 would reference shipping natural gas up from Cook Inlet when there is movement away from that source.

[2:00:18 PM](#)

MS. MORRIS answered that during the development of resolutions, things change all the time. The problems with Cook Inlet natural gas have become one of those things.

MS. MORRIS returned to Mr. Kiehl's question about the terminus of the northern rail extension and said it would go to Delta Junction.

MS. MORRIS explained that, at one point, Fairbanks Northstar Borough, Interior Gas Utility (IGU) and the Titan natural gas facility were going to build rail extensions to transport natural gas to Fairbanks. Now, she said, they are trucking it down from the North Slope. She reiterated that things do change all the time. She opined that Port MacKenzie still offers opportunities for importing and exporting all kinds of natural resources. She emphasized that the ports and the rails are tied together and that beyond military applications, there is also agricultural, commerce and passenger transportation. She also promoted eventually connecting to the Canadian rail system.

[2:02:35 PM](#)

SENATOR WILSON clarified that the natural gas that would be shipped by rail to Fairbanks originates in the northern part of the Mat-Su valley.

[2:03:44 PM](#)

CHAIR KAUFMAN held HJR 19 in committee.

[2:04:11 PM](#)

There being no further business to come before the committee, Chair Kaufman adjourned the Senate Transportation Standing Committee meeting at 2:04 p.m.