

ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE

April 7, 2025

1:01 p.m.

MEMBERS PRESENT

Representative Robyn Niayuq Burke, Co-Chair
Representative Maxine Dibert, Co-Chair
Representative Carolyn Hall
Representative Donna Mears
Representative Zack Fields
Representative Dan Saddler
Representative George Rauscher
Representative Julie Coulombe
Representative Bill Elam

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 47 (RES)

"An Act relating to Chugach State Park; and providing for an effective date."

- MOVED CSSB 47 (RES) OUT OF COMMITTEE

PRESENTATION(S): MEGAPROJECT RISK MITIGATION

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 47

SHORT TITLE: CHUGACH STATE PARK EASEMENTS

SPONSOR(S): SENATOR(S) GIESSEL

01/22/25	(S)	PREFILE RELEASED 1/17/25
01/22/25	(S)	READ THE FIRST TIME - REFERRALS
01/22/25	(S)	TRA, RES
02/04/25	(S)	TRA AT 1:30 PM BUTROVICH 205
02/04/25	(S)	Heard & Held
02/04/25	(S)	MINUTE (TRA)
02/11/25	(S)	TRA AT 1:30 PM BUTROVICH 205
02/11/25	(S)	Moved SB 47 Out of Committee

02/11/25 (S) MINUTE (TRA)
 02/14/25 (S) TRA RPT 2DP 1DNP 1NR
 02/14/25 (S) DP: BJORKMAN, KIEHL
 02/14/25 (S) DNP: SHOWER
 02/14/25 (S) NR: TOBIN
 02/17/25 (S) RES AT 3:30 PM BUTROVICH 205
 02/17/25 (S) Heard & Held
 02/17/25 (S) MINUTE (RES)
 02/26/25 (S) RES AT 3:30 PM BUTROVICH 205
 02/26/25 (S) Moved CSSB 47 (RES) Out of Committee
 02/26/25 (S) MINUTE (RES)
 02/28/25 (S) RES RPT CS 6DP 1NR SAME TITLE
 02/28/25 (S) DP: GIESSEL, HUGHES, DUNBAR, CLAMAN,
 MYERS, WIELECHOWSKI

 02/28/25 (S) NR: KAWASAKI
 03/10/25 (S) TRANSMITTED TO (H)
 03/10/25 (S) VERSION: CSSB 47 (RES)
 03/11/25 (H) READ THE FIRST TIME - REFERRALS
 03/11/25 (H) TRA, RES
 03/20/25 (H) TRA AT 1:00 PM BARNES 124
 03/20/25 (H) Heard & Held
 03/20/25 (H) MINUTE (TRA)
 03/25/25 (H) TRA AT 1:30 PM BARNES 124
 03/25/25 (H) Heard & Held
 03/25/25 (H) MINUTE (TRA)
 03/27/25 (H) TRA AT 1:00 PM BARNES 124
 03/27/25 (H) Moved CSSB 47 (RES) Out of Committee
 03/27/25 (H) MINUTE (TRA)
 03/28/25 (H) TRA RPT 2DP 3NR
 03/28/25 (H) DP: CARRICK, EISCHEID
 03/28/25 (H) NR: MOORE, MINA, STUTES
 04/07/25 (H) RES AT 1:00 PM BARNES 124

WITNESS REGISTER

SENATOR CATHY GIESSEL
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented CSSB 47 (RES).

ROGER MARKS, Board of Supervisors
 Glen Alps Road Service Area
 Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on CSSB 47 (RES).

RICKY GEASE, Director

Division of Parks and Outdoor Recreation
Alaska Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on
CSSB 47(RES).

JEREMY CLARK, Senior Vice President
Pegasus-Global Holdings Inc.
Seattle, Washington

POSITION STATEMENT: Co-presented the Megaproject Risk
Mitigation presentation.

JOE MILLER, President/CEO
Pegasus-Global Holdings, Inc.
Charlotte, North Carolina

POSITION STATEMENT: Co-presented the Megaproject Risk
Mitigation presentation.

ACTION NARRATIVE

[1:01:54 PM](#)

CO-CHAIR BURKE called the House Resources Standing Committee meeting to order at 1:01 p.m. Representatives Coulombe, Fields, Rauscher, Saddler, Hall, Mears, Elam, Dibert, and Burke were present at the call to order.

SB 47-CHUGACH STATE PARK EASEMENTS

[1:02:30 PM](#)

CO-CHAIR BURKE announced that the first order of business would be CS FOR SENATE BILL NO. 47(RES) "An Act relating to Chugach State Park; and providing for an effective date."

[1:02:53 PM](#)

SENATOR CATHY GIESSEL, Alaska State Legislature, as prime sponsor, presented CSSB 47(RES). She paraphrased from the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

Chugach State Park hosts 1.5 million visitors annually - more than Denali National Park - and most of the road traffic leading to the park originates from outside of the Anchorage Hillside neighborhood. The roads that provide access to the park, including the

Glen Alps and Upper DeArmoun/Canyon Road corridors are in need of significant upgrades. In 2023, Anchorage residents voted to establish the Chugach State Park Access Service Area (CASA), which includes the Anchorage Bowl, creating the first mechanism for financing capital upgrades to roads leading to Chugach State Park. In 2024, Anchorage voters approved a \$4 million bond to fund much needed improvements to Canyon Road, which is in poor condition. This project involves paving and drainage for about 0.6 miles of the road, extending to the park boundary. About half of this section lies within Chugach State Park, and because the municipality cannot bond for improvements on state-owned land, those portions fall outside the scope of the bond.

To address this, SB 47 reinforces existing statutes designating the Department of Transportation and Public Facilities (DOT&PF) as the agency responsible for maintaining public roads within Chugach State Park. This ensures DOT&PF will continue managing the maintenance of roads that provide access to this important state resource. Additionally, the bill grants the Department of Natural Resources (DNR) the authority to grant easements or rights-of-ways within Chugach State Park to municipalities. This provision allows municipalities to improve access to the park, provided they meet certain requirements. Before granting any easements, the DNR commissioner must provide public notice and hold hearings. If an easement is granted, responsibility for maintaining and repairing the road will shift from the state to the municipality.

By allowing municipalities to assume responsibility for certain infrastructure improvements, SB 47 provides the flexibility needed to support upgrades that will increase safety, access, and overall public enjoyment of Chugach State Park. It creates a pathway for municipalities to invest in and maintain key resources within their community, improving access to trailheads and other park features.

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ROGER MARKS, Board of Supervisors, Glen Alps Road Service Area, explained that road service areas (RSA) can be thought of as

small, independent districts on the hillside that manage area road maintenance (e.g. road repair, grading, drainage, and snow removal for a particular area). There are roughly 20 of these, and they are paid for by area property taxes. He explained that RCAs were set up to decentralize snow removal. He pointed out that elevation changes result in a variety of microclimates in the area and decentralized snow removal has been effective. He said that the roads in this RSA lead to the Glen Alps and Rabbit Lake trail heads - which are among the most utilized in the park. He explained that most of the traffic in this RSA originates outside of the RSA, passing through it to reach the trailheads. This traffic is the leading cause of road depreciation. He said that the Anchorage municipality is not able to bond on roads within the park. Few residents and a low tax base have resulted in an inability to cover the costs of the capital upgrades, which he estimates at millions of dollars. He said that in 2023, a service area was created to finance infrastructure for access through the park. In 2024, Anchorage voters voted for a bond to finance upgrades to Canyon Road. He stated that the road is in terrible shape. However, the bond cannot be applied to park assets; therefore, the municipality is seeking an easement from the state. He emphasized the importance of maintaining the roads to ensure safety.

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REPRESENTATIVE COULOMBE sought to confirm that the road would be maintained by the Limited Road Service Area (LRSA).

MR. MARKS affirmed.

REPRESENTATIVE COULOMBE asked whether the maintenance would be perpetual.

MR. MARKS answered yes, in perpetuity.

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CO-CHAIR BURKE open public testimony. After ascertaining that no one wished to testify, she closed public testimony.

[1:13:48 PM](#)

REPRESENTATIVE COULOMBE asked what would happen if the municipality doesn't want to [maintain] it anymore.

SENATOR GIESSEL said that is not an issue of concern for the municipality. She reiterated that [maintenance] would be in perpetuity.

REPRESENTATIVE COULOMBE asked whether the municipality could use this to request the takeover of any [municipal] road.

SENATOR GIESSEL referenced page 1, line 6, and clarified that the language is specific to Chugach State Park, adding that this location is unique.

[1:15:33 PM](#)

CO-CHAIR DIBERT asked whether the bill would help with similar situations, in Fairbanks, for example.

SENATOR GIESSEL reiterated that the bill is specific to Chugach State Park.

[1:16:16 PM](#)

RICKY GEASE, Director, Division of Parks and Outdoor Recreation, Alaska Department of Natural Resources, in response to Co-Chair Dibert, confirmed that the bill is specific to Chugach State Park; however, if it proved to be successful, legislation could be enacted in the future for other locations in the state park system.

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REPRESENTATIVE FIELDS asked whether there are other geographic situations like this for other parks in the state.

MR. GEASE reiterated that [the intersection of municipal road with state park] in this specific instance is unique. Other instances of Department of Transportation & Public Facilities (DT&PF) road responsibilities in state parks are specific to Chugach State Park and the Chilkat Bald Eagle Preserve.

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The committee took a brief at-ease at 1:18 p.m.

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REPRESENTATIVE FIELDS moved to report CSSB 47(RES) out of committee with individual recommendations and the accompanying

fiscal notes. There being no objection, CSSB 47(RES) was reported out of the House Resources Standing Committee.

[1:24:39 PM](#)

The committee took an at-ease from 1:24 p.m. to 1:30 p.m.

PRESENTATION(S) : Megaproject Risk Mitigation

[1:30:40 PM](#)

CO-CHAIR BURKE announced that the next order of business would be the Megaproject Risk Mitigation project.

[1:31:06 PM](#)

JEREMY CLARK, Senior Vice President, Pegasus-Global Holdings Inc., explained that Pegasus-Global Holdings, Inc. provides expert assessments, advice, and solutions for governments, private and public companies, concerning every phase of mega projects throughout the world. He directed attention to a PowerPoint presentation, titled "Megaproject Risks; Considerations for the Alaska LNG Project" [hard copy included in the committee file]. He began on slide 2, "Pegasus's 2019 Report Overview," which read as follows [original punctuation provided]:

- Engaged by the State to provide advice concerning the risks associated with megaprojects, including specifically the proposed Alaska LNG project.
- Reviewed the Trans-Alaska Pipeline System (TAPS) and Strategic Reconfiguration project execution and issues encountered.
- Identified issues commonly realized on megaprojects.
- Discussed impact of cost overruns.
- Provided examples of contract tools to mitigate risks.

MR. CLARK continued to slide 3, "Megaprojects Defined," which read as follows [original punctuation provided]:

- Typically have costs in excess of \$1 billion USD.
- Comparably high benefits and correspondingly high risk.
- Multi-year construction, often longer than a decade from feasibility planning through execution.

- Many stakeholders that can have substantial impacts on the project (environmentally, economically).
- Unique aspects/scopes (i.e. not a bigger version of a smaller project).
- Conventional project management processes and priorities often not sufficient.

MR. CLARK turned to slide 4, "Megaproject Challenges," which read as follows [original punctuation provided]:

- Inherent risks due to long planning/execution horizons and complex interfaces.
- Technology/components that are often not standard (including FOAK).
- Decision-making and planning involves multiple parties with conflicting interests.
- Unplanned events (black swans) are often not accounted for, but megaprojects have high exposure and high resulting impacts.
- Over optimism on costs, benefits, and risk treatment.

MR. CLARK defined the "Iron Law" of megaprojects as, "Over budget, over time, under benefits, over and over again," a quote by Bent Flyvbjerg. Despite these challenges, 92 percent of megaprojects come in over budget, over schedule, or both.

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REPRESENTATIVE COULOMBE so we should not have built the pipeline?

MR. CLARK, in response to Representative Coloumbe, clarified that slide 5 speaks to the reality that challenges and changes are inevitable, and their complexity must be accounted for. He confirmed that today, he would be speaking to risks that are common of many megaprojects, whereas the benefits can vary by project. In response to a question from Representative Saddler regarding the relevancy of Trans-Alaska Pipeline System (TAPS) to the LNG project, he said some challenges are relevant, such as the regulatory environment in Alaska. He shared the following challenges, faced by TAPS, that are largely common of most megaprojects: labor shortages and low initial estimates.

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MR. CLARK resumed the presentation on slide 6, "LNG Project Risks," which read as follows [original punctuation provided]:

Project Economics

Long-term sales contracts that allow for a sufficient return typically underpin the financing of LNG projects. Developers generally need to secure long-term buyers for a large portion of the project's capacity before sanctioning a project; high project costs/changing markets can have a large impact on if/when a project is sanctioned; cost overruns post-FID impact project returns.

Regulatory Approvals

Regulatory process typically time consuming and costly, particularly for high-profile projects that attract opposition groups. May require additional requirements (including scope changes).

Partner Priorities

Alignment amongst project partners on strategies and objectives can be challenging; partners may face different constraints, have differing risk exposure.

Ability to Execute

Partners must have the technical, operational, financial, and logistical capabilities to execute the project. Technical hurdles may impact project feasibility. Craft labor must be available to support project needs. Limited number of contractors able to execute megaprojects.

Weather/Environment

Adverse/extreme weather impacts productivity and can lead to missed construction windows and schedule extensions.

Supply Chain/Logistics

Timely receipt of key material and equipment.
Challenge of delivering to remote locations.

MR. CLARK described graphics depicting the impact of risk mitigation and decision making as well as LNG project development phases on slides 7 and 8.

[1:43:18 PM](#)

REPRESENTATIVE MEARS if you look at various stages. there something increase the risk.

MR. CLARK, in response to Representative Mears, confirmed that shortening some of the earlier stages would typically increase a project's risk; however, its dependent on specific characteristics. He agreed that much can be learned from similar projects in different locations. In response to Representative Saddler, he said some consider "project start" to be the final investment decision (FID), whereas others consider it to begin at the earlier conceptual or preliminary phases. In reference to slide 8, he aligned project sanction to be after front-end engineering design (FEED), right as detailed design is initiated.

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MR. CLARK resumed the presentation and continued to slide 9, "Contracting Approaches," which read as follows [original punctuation provided]:

- Size and complexity of megaprojects typically requires multiple delivery methods and contracting approaches.
- Risk should generally be assigned to the party best able to manage/mitigate it.
- For a contractor to assume a risk, additional costs and/or contingencies are expected.
- Cost-plus and time and materials contracting approaches run the risk of the contractor low-balling the bid to win the award, leading to extensive change orders.
- Firm price/lump sum contracting approaches run the risk of the contractor adding excess contingency -and still has the risk of disputes if major issues are encountered.

MR. CLARK continued to slide 10, "Risk Allocation," which read as follows [original punctuation provided]:

- Control: risk should be allocated to the party best in position to control and manage variable relevant to that risk.
- Clarity: allocation decisions should be clearly articulated and defined in relevant documents and the project contracts.
- Consistency: allocation decisions need to be expressed consistently across the project.

- Fairness: allocation should be conducted in a balanced, clear, and consistent manner. Balance risk allocation to ensure alignment between the parties on project objectives.

MR. CLARK proceeded to slide 11, "Trans-Alaska Pipeline System; GAO Report Findings - Challenges and Cost Overruns," which read as follows [original punctuation provided]:

Site-specific Challenges:

- More groundwater than anticipated.
- Underground construction required deeper/wider trenches than planned.
- Wide variations in soil conditions.
- Permafrost more difficult to move and drill than planned.
- Less backfill material sites available, requiring additional hauling.
- Tolerances for valve support structures far more critical than planned; temperature changes and settlement required realignment.
- Productivity impacts in cold weather.

MR. CLARK advanced to slide 12, "Trans-Alaska Pipeline System; GAO Report Findings 0 Lessons Learned," which read as follows [original punctuation provided]:

- Initial and subsequent cost estimates should be viewed with skepticism.
- As much site-specific data as is feasible should be obtained.
- Technical and geological uncertainties should be thoroughly investigated.
- Government approval should be contingent on detailed planning for management control, including cost controls.
- Future project expenditures should have an ongoing government audit to protect the public's interest.

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REPRESENTATIVE SADDLER shared his appreciation for the presenter's skepticism and asked if the state was looking for financiers to finance the proposed project.

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JOE MILLER, President/CEO, Pegasus-Global Holdings, Inc., in response to Representative saddler, agreed that the state should consider looking for the financiers who are not stretching their capacity to finance the project.

MR. CLARK explained that typically, risk allocation is defined in the contract; he added that there's usually a cost associated with a contractor taking on more risk even if its just adding a contingency. He resumed the presentation on slide 13, "Strategic Reconfiguration Project; Prudence Review Findings," which read as follows [original punctuation provided]:

- Project engineer lacked Alaska experience, failed to effectively manage the project.
- Poorly defined scope at sanction, leading to poor cost/schedule estimates.
- Reduction of project contingency to an unrealistic level to improve project economics.
- No meaningful oversight by project owner.
- Failure to rely on internal project risk assessments.
- Assumed control of project at Supplement 1 decision point, despite insufficient resources to do so.

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MR. CLARK, in response to Representative Coulombe, stated that the TAPS findings are from a Government Accountability Office (GAO) report, and the data on the 2004 Strategic Reconfiguration Project is from a Prudence Review. He explained that often on regulated projects, there's a prudence review at the end of the execution that assesses whether the management practices and costs incurred were reasonable and necessary. This is typically a requirement of the regulated utility body and conducted by an independent party.

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MR. CLARK, in response to a question from Representative Mears about how to learn from recent underestimations, stated that publicly available records associated with a project can be accessed. He state that prudence reviews, when required, are often conducted at the final rate hearing within one to two years from project completion. In response to Representative Saddler, he confirms that * is involved conducting prudence reviews.

[2:00:25 PM](#)

MR. CLARK resumed the presentation on slide 14, "Questions on the Alaska LNG Project," which read as follows [original punctuation provided]:

- Status of program management plans.
- Status of the project's risk management program.
- Status of conceptual or preliminary engineering (pre-FEED).
- Scope of the FEED Study efforts.
- Oversight of Glenfarne.

MR. CLARK, in response to Representative Fields, stated that * was not familiar with Glenfarne to any meaningful degree. He said the state should have awareness of the scope that Glenfarne is engaged to perform and how that might align with the project owner's strategic objectives. In response to Representative Saddler, he acknowledged that some specific applications may have changed since their 2019 report; however, by and large the overall themes would remain consistent in the large risk associated with megaprojects with the project owner on the hook for those risks

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MR. CLARK concluded on slide 15, "Recommendations," which read as follows [original punctuation provided]:

- Detailed review of the FEED Study (including updated cost estimate).
- Readiness reviews prior to FID and prior to execution.
- Perform a contract risk review for the EPC/EPCM contract.
- Independent project monitor/advisory committee during execution.

[2:06:09 PM](#)

MR. CLARK, in response to a series of questions, stated that Canada's trans mountain pipeline is an applicable project to Alaska LNG due to its geographic challenges and complexities. He said this project is both cautionary and laudatory, as it reflects the challenges of megaproject execution. He added that the key to success is mitigation risk in a way that limits the exposure to cost and schedule.

[2:08:54 PM](#)

MR. MILLER named the Darlington Nuclear Refurbishment project as an example of a successful megaproject.

MR. CLARK agreed and described the project, which is being completed in phases, and has remained on budget and on schedule. In terms of projects that went awry, he reiterated about 92 percent of projects end up over budget, over schedule, or both, adding that the biggest issues is typically a lack of planning. He explained that * is often involved in these projects from a review and evaluation standpoint at the end of the project. Occasionally, they are engaged on the front side to conduct a readiness look. He listed initial optimism with early estimates and schedules as an adverse impact to cost overruns, as well as the complexity of a project where a seemingly minor impact to one small aspect of the project could have a ripple effect. He reiterated that underestimating scope and resources are the primary reason that projects go over budget, as these projects often take more labor and more time than initially assumed.

[2:20:29 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:20 p.m.