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**Alaska Economic Report**  
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PUBLISHER: Tim Bradner / FOUNDER: Mike Bradner  
 Business Office: (907) 440-6068 / Fax: (907) 345-5683

Econ No. 11/2025 July 14, 2025

## Steel costs delay power grid upgrade

### Bid 60% over estimate; more bids to solicited

Homer Electric Assoc. and Alaska Energy Authority officials got a dose of sticker shock when materials bids came in on a 10-mile segment of Kenai power transmission line upgrade. Costs were 60% higher than estimated, so that the project expected to cost \$24.2 million would be \$35.7 million. Homer Electric, or HEA, is managing construction with the state's Alaska Energy Authority, or AEA, is owner. HEA will rebid the project to encourage more competition but there are now concerns that steel price increase may come in high on a longer connecting 31-mile section of transmission line upgrade which has an engineer's estimate of \$55.3 million. Chugach Electric Assoc. is managing construction on this. The rebidding for HEA's section means a delay for construction that was expected this winter. The transmission line upgrade is needed to more efficiently move power from the Bradley Lake hydro project to Anchorage

and points north on the "railbelt" power grid. The Kenai-to-Anchorage part of the transmission line is now constrained in capacity. This results in bottlenecks in the system so that at times water must be "spilled," or released, at Bradley Lake because the aged transmission line cannot handle the power generated. The upgrades now underway would ease the problem. Solving this will become more important when AEA begins an expansion of the Bradley hydro project planned to be done by 2031. More than upgrading the Kenai-Anchorage grid is needed to handle more Bradley hydro power.

— See related article, page 2

### **Inside:**

- |                             |      |
|-----------------------------|------|
| • Dalton highway conditions | p. 2 |
| • Commercial lending        | p. 3 |
| • State finances            | p. 4 |

## Financing, construction approved for North Slope petrochemical project

Fabrication of production modules will begin soon for Alyeschem LLC's small petrochemical plant at Prudhoe Bay, with on-site construction to begin in early 2026. The project is estimated at \$130 million. The state's development finance corporation, Alaska Development and Export Authority, gave a sign-off July 9 for \$70 million in

construction financing, the final "go" decision. The plant will produce methanol and ultra-low sulfur diesel, reducing the need for oil producers and support contractors to truck these liquid north on the Dalton Highway. Partners in the project besides Alyeschem are McKinley Private Investment and BP Energy Partners. — Continued on page 2

## **Transportation: Dalton Highway condition improves**

Truckers are reporting improved conditions on the Dalton Highway, the 400-mile state-owned gravel road connecting Interior Alaska with the North Slope oil fields. Last year conditions on the road were poor due to staffing shortages of state maintenance workers. Rough road conditions resulted in damaged trucks and in some cases damaged equipment being transported as well as long delivery times. State Sen. Robert Myers, R-North Pole, who is a truck driver, said the state Department of Transportation and Public Facilities has been able improve staffing at maintenance stations this year. There also appears to be less truck traffic this year than last, he said. This may result from Santos, Ltd. having passed its construction peak on the new Pikka oil field, which is nearing completion. There's still plenty of truck traffic, however. ConocoPhillips is still going full-bore on construction at Willow, its new oil field, and Hilcorp Energy is busy with new projects in the producing North Slope fields it operates, Myers said.

### **\$62.6 million for sub-sea power link approved by Alaska Energy Authority**

The Alaska Energy Authority received federal approvals for \$62.6 million in FY 2026 expenditures on the Cook Inlet submarine power link connecting the Kenai Peninsula and the Beluga power station on west Cook Inlet, AEA told its board June 9. Most of the money is for pre-payments on materials and equipment. The new link will create a new loop for power from Bradley Lake hydro project to Anchorage and the Mat-Su region, which will add security in power deliverability. Currently Bradley hydro power, the least expensive power in the state, is delivered to the state's two most populous regions on a single, aged Homer-to-Anchorage transmission line, which is also being upgraded (*see page 1*). Marine surveys for the new cable will be underway in 2026.

### **Construction underway on petrochemical plant on North Slope**

*–Continued from previous page*

The plant is planned to go into operation in late 2027 and will have a capacity to produce 31,500 gallons per day of methanol, which is mainly used by companies for freeze-protection of producing oil wells. Methanol is now trucked to the North Slope on the Dalton Highway from southern Alaska, so local production will take three trucks a day off the road. Methanol production will also produce hydrogen, which can be used in the plant to upgrade high-sulfur diesel now produced from crude oil in "topping plants" on the slope to Ultra-Low Sulfur Diesel, or USLD, which is now required to be used in vehicles. This will allow Alyeschem's plant to produce 1,500 barrels a day of the USLD on the slope, which will take six trucks that now haul the fuel off the Dalton Highway. The combined reduction in trucking amounts to 4,000 fewer road trips on the Dalton, reducing the stress on maintenance.

Significantly, the state and North Slope Borough will receive an estimated \$5 million yearly in new revenue mainly through property taxes. AIDEA itself will be paid an estimated \$2.39 million yearly in loan repayments with some of the construction loan repayments converted to a cents-per-gallon royalty.

## **Mat-Su Regional plans \$70 million new behavioral health facility**

Mat-Su Regional Medical Center near Palmer and Wasilla is planning a \$70 million new behavioral health hospital. The 45-bed facility, planned for a 10-acre site east of the hospital's main campus on the Parks Highway, would provide inpatient behavioral health care for both adults and adolescents. Mat-Su Regional has applied for a state Certificate of Need for the project, basically a construction and operating license. The project includes the relocation of 16 existing beds from the existing hospital and would expand regional behavioral health capacity, which is badly needed. It would ease the strain in Mat-Su Regional's emergency room, which now deals with many mental and behavioral health problems. *In 2024 alone, the hospital received 1,253 behavioral health referrals but was only able to admit 437 patients due to limited bed availability in its behavioral health unit.* If the certificate is approved construction could begin in 2026 with completion in two to three years. About 50 full-time jobs would be created.

### **Mat-Su Health Foundation's share of Mat-Su hospital profits**

The Mat-Su Health Foundation, a major nonprofit, owns 35% of Mat-Su Regional Medical Center and reported \$48.8 million in joint-venture equity income in 2024, which would be mostly its share of profit from the hospital. *In 2024 the health foundation funded \$21.24 million in grants to health-related services in Mat-Su mostly to other nonprofits in the region.*

### **\$7.9 million grant for barge facility at Port Mackenzie is awarded**

The U.S. Department of Transportation approved a \$7.9 million grant for a barge ramp at Port MacKenzie, the Matanuska-Susitna Borough's port on Knik Arm in Upper Cook Inlet. This will fund the construction of the 60,000 square-foot barge ramp, enhancing the port's capacity for barge haul-out and loading operations. Port MacKenzie is designed mostly for bulk commodity handling but with ample land available the barge ramp would expand business opportunities. Barge operators would be able to efficiently move barges out of the water for winter storage and maintenance. State Rep. Kevin McCabe, R-Big Lake, said the borough is pursuing other opportunities for the port through the House Armed Services Committee

### **AIDEA to begin permitting on West Susitna access road**

The Alaska Industrial Development and Export Authority, or AIDEA, will apply soon for federal permits to build a planned 99-mile industrial road to an area in the western Matanuska-Susitna Borough where mining companies are exploring gold and antimony discoveries, according to sources. The road would be paid for with tolls paid by mine operators, if mines are developed. An initial section of the road and a bridge on the Susitna River are now planned for construction with federal transportation funds. It would connect with existing public roads in the Mat-Su borough.

### Federal agencies reviewing decisions to deny permits for Pebble mine

The federal government may reconsider its decisions to deny permits for Pebble, a proposed large copper and molybdenum mine southwest of Anchorage. The government is discussing a possible settlement of a lawsuit brought by Pebble Partnership, the developers, that might involve the U.S. Environmental Protection Agency backing away from a ban on large mines in the Bristol Bay watershed and reconsideration by the U.S. Army Corps of Engineers of its decision to deny a key federal wetlands permit. The denial of the wetlands permit was criticized by senior Army Corp officials even under the Biden administration who asked Alaska Army Corps to review the denial and correct deficiencies in the decision but the review was never done because of the EPA's ban on large mines. If that ends the Corps could move to reconsider the wetlands permit denial. *That denial was based on a narrow interpretation by the Corps of wetlands affected by mining, in which basically the Corps did not consider a mitigation plan proposed by Pebble Partnership. If the mitigation plan were to be fully considered the agency's decision might be different. Also, the Corps did not consider the economic benefits of the mine for nearby communities, which face depressed economic conditions.*

### AIDEA's commercial loan portfolio at \$373 million in June; new \$25 million loan for hotel

The commercial loan portfolio on the Alaska Industrial Development and Export Authority, or AIDEA, the state development finance agency, stood at \$373 million as of May 31, the latest period for which data is available. The authority invested \$32.17 million in new loans in partnerships with commercial banks in business loans, which included new hotels (13.8% of loans); health care facilities (7.9% of loans); real estate acquisition and retail development (6% and 5.8% of loans respectively) as well as other financing. Banks participating with AIDEA in financing over the last year included First National Bank Alaska; Wells Fargo; First Bank; Global Federal Credit Union; KeyBank and Denali State Bank. Banks originate the loans and bring them to AIDEA to form partnerships in long-term lending. *Notably, in June the authority partnered with Northrim in a \$25 million loan for development of downtown Anchorage's new Wildbirch Hotel. Added to the May 31 figure, that would bring AIDEA's loan portfolio to \$398 million.*

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3037 South Circle Ph: (907) 440-6068 - Fax: (907) 345-5683  
Anchorage, Ak. 99507 email: [timbradner@pobox.alaska.net](mailto:timbradner@pobox.alaska.net)

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