

**1/27/11
PRESENTA-
TION:
PORT OF
ANCHORAGE**

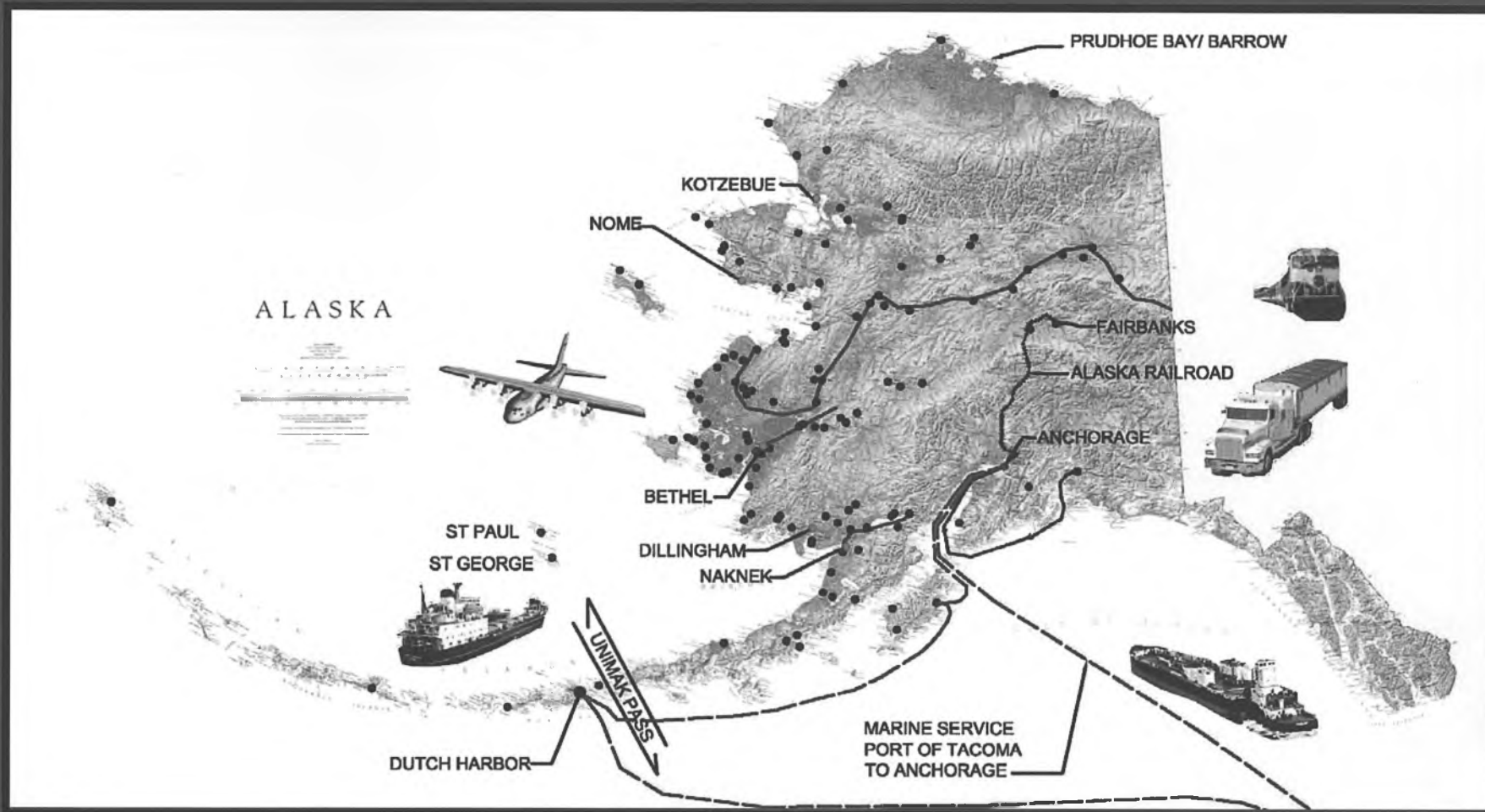
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OF ANCHORAGE</SUBJECT><COMM>HTRA27</COMM></TARGET>



Alaska's Port. Alaska's Future.



Cargo Distribution in Alaska



If you eat it, wear it or drive it, it probably came through here.....

➤ 120,000 containers annually

- 90% of merchandise goods for the Railbelt and interior Alaska
- 100 million pounds of by pass mail items
- Serving over 140 villages in rural Alaska
- 90% of new automobiles
- 85% of the cement for concrete along road system



If you eat it, wear it or drive it, it probably came through here.....

- **11 million barrels of fuel annually**
 - 80% of the jet fuel for Ted Stevens Anchorage International Airport
 - 100% of the jet fuel for Elmendorf Air Force Base
 - 90% of fuel used by vehicles, water craft and general aviation in the Railbelt
 - 2/3rd of all fuel used by the military in Alaska
 - 100% of the Aviation Gasoline used in Alaska (including Southeast!)

- **1.7 million barrels of fuel are shipped from POA to rural Alaska.**



Military Support

- Designated by the **Department of Defense** as a **National Strategic Seaport**. Only 19 ports in the United States have this designation.
- Supported over 20 deployments since 2005 including Stryker Brigade deployments to Iraq and Afghanistan.



- The POA provides essential fuel supplies, vehicles and almost all of the goods used on a daily basis from the commissary to office supplies.

2010 in Review

- The port received over 500 ship calls in 2010, a 30% increase from 2009.
- Welcomed the first major cruise ship to make regular port calls in Anchorage.
- Created 500 jobs related to the expansion project
- Port stakeholders and the expansion project spent \$70 million on annual payroll

We expect an even busier 2011, especially at our petroleum berths which provide critical gasoline, heating oil, and jet fuel to communities throughout Alaska.

Intermodal Expansion Project



Phasing Plan



DRAFT v2

Port Expansion Team

Federal Lead Agency

MARAD

US DOT Maritime Administration

- Responsibilities include contracting authority, oversight and quality assurance and managing funding.

Project Owner

Port of Anchorage

Municipality of Anchorage

- Responsibilities include securing funding and coordinating the construction phasing to fit the port's needs.



Project Manager

ICRC

Integrated Concepts & Research Corps.

- Responsibilities include development, project management, design, construction and permitting.

Design & Construction
Subcontractors



The Expansion Project is moving forward with clear changes in place.

- **The Port is requiring a major review of the contract between MARAD and ICRC. The new contract structure must provide clear accountability and absolute protection from faulty construction and oversight.**
- **The Port is requiring additional financial protection to assure the work is completed on time with outstanding workmanship.**
- **The Port is developing an oversight committee consisting of the Port, MARAD, ICRC, and appointees from the city, US Army Corps of Engineers and others. This will allow us to react quickly and appropriately to issues as the project moves forward.**

Thank You



For more information visit www.muni.org/departments/port



Funding

The expansion project is funded through a combination of port revenues, state and federal funds.

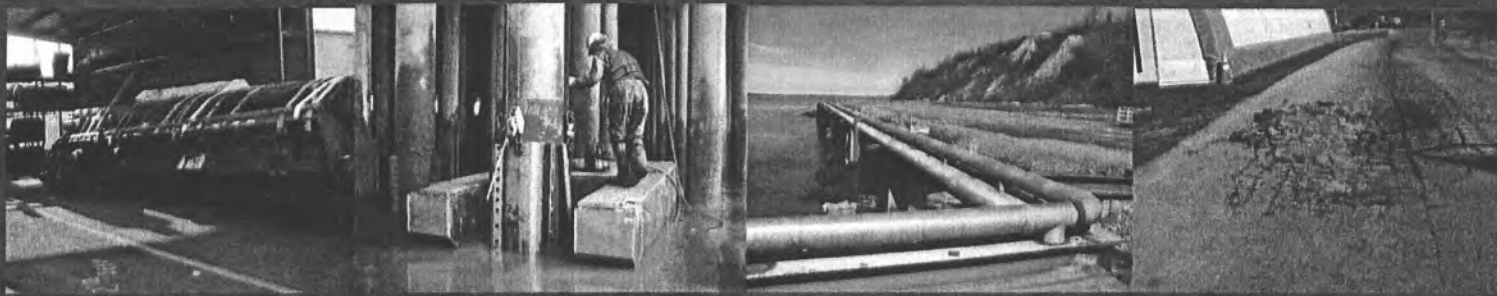
-\$279 million received to date:

Federal Funds	\$138,676,634
State Funds	\$ 91,290,164
Port of Anchorage Funds	\$ 49,109,836

- The Port of Anchorage covers all of its own operational costs and puts all of the additional revenue, \$4 - \$5 million annually, towards the expansion project.
- The Port also qualifies for a \$75 million line of credit.

In 2002 the Port began a long and expensive permitting process. Since that time the following projects have been successfully completed:

- **Filled 70 acres of new land**
- **Constructed 5 mile long road from the POA to Elmendorf to transport gravel. This road is already used for military deployments relieving congestion on public roadways.**
- **Performed road and drainage replacements**
- **Extending the rail line**
- **Installing new fuel pipeline**
- **Built a floating dock used by the Coast Guard for Emergency Response**
- **Burying and extending power lines**
- **Mitigated an environmental runoff problem for Elmendorf**



The current project cost is \$1 billion. This is much higher than the initial estimate, however there have also been many changes to the original design. The largest contributing factors are listed below:

➤ **Design Changes –**

The initial design underwent a rigorous permitting and review process that resulted in recommendations to the existing design. These changes cost money.

-Increasing tail wall length

-Addition of two essential facilities that will remain operational following a maximum contingency earthquake or other catastrophic event.

-Increased linear dock space in the North End to accommodate customer needs

➤ **Galvanized Steel –**

Using Galvanized (or coated) steel rather than the regular steel calculated in the initial estimate increased the cost of steel by about 30%. This is expensive, but it significantly prolongs the project life and is ultimately a good investment in an area that has some of the highest corrosion rates in the world.

➤ **Increased Overhead**

➤ **Increased labor, fuel & materials cost**

- 2008 Steel Prices soared 60%

➤ **Increased Dredging Costs**

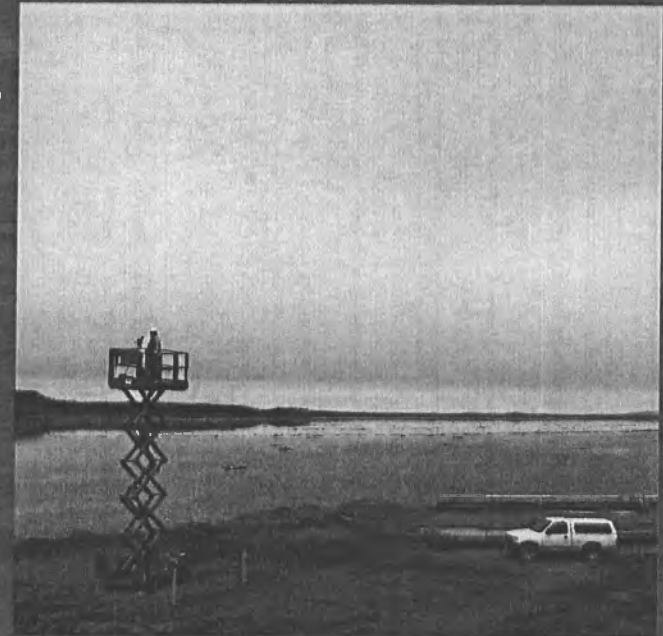
➤ **Beluga Whale & Marine Mammal Mitigation**

Beluga Whales

The Marine Mammal Mitigation aspects of our construction permit are onerous and expensive. We estimate that direct costs are \$5 million annually with substantially more indirect costs.

Mitigation measures include:

- Shutting down for two hours on either end of low tide.
- Shutting down if a whale enters our “zone”
- Shutting down if the monitors cannot observe the water (fog or sun glare)
- Restrictions on the use of vibratory hammers and impact hammers
- Until the 2010 construction season we were required to shut down for two one-week periods during the summer for fish smolt.



There are five observers stationed on rented scissor lifts every second we are under construction and there is an additional look-out on Elmendorf manned by Alaska Pacific University students. The marine mammal observes and costs associated with these activities are around \$100,000 a year.

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What's Inside

Ice road truckers build path for test well

By Polly Crawford
For the Journal

As driver Connie Green pulled up to the chute, Salamatof Seafoods' plant manager George Jackson pulled the lever, and let the ice pour into the dump truck.

Every so often, a huge rake inside the building's ice storage area could be heard, stirring the ice to make sure it stayed dry. That makes it easier to load, but makes it a little too dry for hauling; it tends to blow out the back unless they water it down.

Green is among dozens of workers tasked with building an ice road three miles across the wetlands in the Kenai National Wildlife Refuge, to provide access for an exploratory drilling rig to be operated by Inlet Drilling.

While ice roads are fairly common on the North Slope, it's a rare sight on the Kenai Peninsula.

Peak Construction is overseeing the road construction. Independent oil and gas exploration company Nordaq Energy, overseeing the entire project, hopes to find natural gas.

The project has involved several subcontractors, including Salamatof, Ocean Beauty and Snug Harbor Seafoods to make ice, as well as CIC Inc., Alaska Roadrunners and South Central Paving to haul it. Peak also has leased several snowmaking machines from Alyeska Resort.



PHOTO/M. SCOTT MOON/FOR THE JOURNAL

Work crews build an ice road to a site where an independent company plans to drill a test well in the Kenai National Wildlife Refuge. The road is a temporary route made with water, ice and manufactured snow, and should be about a mile and a half long when completed. **See more photos on Page 12.**

Legislative session opens with oil tax talks



Session starts

Lawmakers are back to work, and oil taxes top the agenda.

Page 8



Golf gizmos

Cool gadgets to help improve your golf game.

Page 11





Oil flows again

Crews restart the oil pipeline after temporary repairs are made.

Page 10

\$1.00



machines from Alyeska Reser-
"This is the busiest we've been in a long time," said Tom Pellegrom, Peak area manager. He added that Peak is also working on the anchor Point. He estimated that the ice road has probably resulted in the employment of about 150 people. "It's spread a lot of wealth around the peninsula."

After the stormy weather earlier in the month, crews began working around-the-clock in an effort to finish the road. The drill rig will then be brought in, an exploratory well drilled, and the rig removed by mid-March.

Peak has built ice roads along Prudhoe

See Truckers, Page 12

By Tim Bradner
Alaska Journal of Commerce

The state Legislature opened its 2011 session in Juneau Jan. 18 and state legislators got right down to business in briefings by state agencies and the budget.

Gov. Sean Parnell outlined an ambitious agenda to stimulate the state's economy and secure new energy supplies in his State of the State address the following day, Jan. 19.

Parnell, a Republican, outlined key themes of his proposals including a major change in state oil and gas production taxes intended to spur more industry investment. House leaders, including Speaker Mike Chenault, R-Nikiski, and Rep. Mike Hawker, R-Anchorage, are making similar proposals.

The idea drew immediate criticism from Demo-

crats in the Legislature.

Critics said the price tag – about \$5 billion in revenues given up over the next few years – is too high, and there is no real guarantee from the industry that if taxes are lowered, new investment and jobs will follow.

The governor also talked about his initiative to build a major hydroelectric project on the Susitna River between Anchorage and Fairbanks, which would bring new supplies of electricity into the power grid serving the state's largest communities.

Parnell also spoke of getting funds for his university tuition-assistance program, a key initiative of his in the 2010 session. Lawmakers approved the structure of the program but provided no funding. The governor

See Session, Page 8

Sheffield admits problems at port, but solutions at hand

By Tim Bradner
Alaska Journal of Commerce

Anchorage Port Director Bill Sheffield acknowledges difficulties facing the ambitious \$1 billion expansion now under way at the port, but says construction managers are getting a handle on the problems.

Growth in shipping traffic to Anchorage will justify the project over the long term, he said. More than 500 vessels called at Anchorage's port in 2010, up from 300 in 2009, and the forecast is for the trend to continue in 2011, Sheffield told the Alaska Industry

Support Alliance Jan. 13.

If a major construction project happens over the next few years, such as a gas pipeline or a large hydro project on the Susitna River, improvements at Anchorage's port will be needed to handle the flow of materials in an efficient manner.

Docks at the port are 50 years old and badly in need of replacement and expansion, Sheffield said. The cathodic protection for the steel pilings has been long gone, so the old pilings are subject to corrosion.

However, the replacement project has been plagued with challenges, he said.

"The year 2009 was not a good one for us," Sheffield said.

Defects in the installation of the new piling done that year were discovered in 2010. Contractors have moved to correct the problem, he said.

"The problem is not the design, but the way the way the pilings were put in. The work in 2010 included re-installing some of this," Sheffield said. Things are fine where the reconstruction was done, he said.

Port spokeswoman Emily Cotter said that construction managers got a clear picture of defects on the outer, water side of the piling, and much of that was repaired in 2010.

but surveys of the "tail wall," or the sections built farther in, are still being done.

"We're still not quite sure how this happened. The port and the Maritime Administration (which is managing overall construction) will be bringing in an independent investigator to review the problem," she said.

Sheffield, a former governor, said port managers became aware of the problem in late 2009, but it was not until 2010 that the full extent of the problem became known.

"We are blaming lack of oversight and

See Port, Page 2

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Port: *Continued from Page 1*

some shabby work," Sheffield said in an interview.

A key problem has been the management structure for the project, in which port managers have only a small role.

"We need more of a role in management and we need some protection, such as some kind of performance bond for contractors," Sheffield said.

The Maritime Administration, a division of the U.S. Department of Transportation, is in overall charge of the project management and needs a person on the ground in Alaska to ensure that quality work is being done, he said.

Meetings are planned to make changes in the management structure.

"We'll be able to get all the horses moving in the right direction," Sheffield said.

Meanwhile, federal regulation changes have brought added costs to the project. Restrictions on construction activity imposed by the listing of Cook Inlet beluga whales as endangered required workers to shut down twice daily during periods of low tides. The inefficiencies of the stop-and-start schedule have added an estimated \$200 million to the project costs, Sheffield told the Alliance.

The port has a good working relationship with the National Marine Fisheries Service on the whales, but the extent of long-term dealings with the agency won't be known until mid-spring, when NMFS is expected to finalize criti-



FILE PHOTO/ANDREW JENSEN/AJOI

A barge pulls up to the Port of Anchorage. Port Director Bill Sheffield says there are fixes in the works to overcome the challenges the port construction has faced in the past.

In 2012, the port hopes to begin construction of the south end, which will accommodate petroleum tankers and bulk cargo ships. That phase is expected to cost about \$300 million and Sheffield is still working on raising funds for the south end work.

In the meantime, a gravel haul road built down a hill behind the port to carry gravel mined at sites on Elmendorf Air Force Base, adjacent to the port on the north, has been a big benefit to the

\$20 million in his proposed capital budget for the port, which is now likely to be in the final capital budget to be approved by legislators later this spring. In addition, the port will receive an allocation of federal funds through the annual federal appropriation of surface transportation funds to the state.

Knowing these funds are coming will help keep the project on track. Sheffield said he also is working with legislators on a special financing plan

Sheffield told the Alliance.

Similarly, the method of working through the U.S. Maritime Administration at lead agency in managing construction has been unusual although it was also seen as a way of expediting the project. However the arrangement also gave the Port of Anchorage itself a limited role in construction management, Sheffield said.

Port managers hope to change that, and be more involved in con-

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... is expected to finalize critical habitat designation.

"We hope we're not in a critical habitat but it probably doesn't make a lot of difference to us one way or the other. If we're in critical habitat there will be more regulations we will follow, but we have to deal with the issue either way," Sheffield said.

The project is being phased with the construction of two barge docks at the north end of the port expected to be finished and fitting with utilities by 2013. The Totem Ocean Trailer Express and Horizon Line ships will move to new dock locations in 2014, 2015 and 2016.

... has been a big benefit to the military, Sheffield said.

It allows military equipment to be moved directly to the port through the military bases when deployments are done, rather than having all of the equipment moved through city streets, creating traffic problems, he said. Removal of gravel from sites on Elmendorf has also had a benefit of making more space available on the base for aircraft support facilities.

The central part of the dock will be done last, Sheffield said. All will be finally complete in 2021, at the current pace of funding.

Gov. Sean Parnell has included

legislators on a special financing plan to raise \$300 million for the south port work scheduled for 2012. This would speed the completion of that part of the project. This could expedite the construction of the southern sections, he said.

The funding method for the project has an unusual one, Sheffield acknowledged. It has been a combination of federal earmark appropriations combined with other federal funds and state capital appropriations. Earmarks and state funds have greatly speeded the project compared to the alternative path of securing federal funding, which would have taken 20 years or more,

that, and be more involved in construction decisions, as part of a new management structure, he said.

When finished the port expansion will add 135 acres to the facility, approximately doubling the size of the port. The port will be able to accommodate seven vessels as well as barges.

Currently the port has five berths, but they can really only accommodate four vessels at a time, and the port cannot now accommodate barges, Sheffield said.

"It's a good project, but it is taking longer than expected. There will be new customers to serve, however," he said.

Back to the Port

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