

**01/22/15**  
**PROJECT STATUS:**  
**AMBLER ROAD -**  
**SUSITNA-WATANA**  
**- KNIK ARM**  
**BRIDGE - ALASKA**  
**STAND ALONE**  
**PIPELINE -**  
**KODIAK LAUNCH**  
**COMPLEX**

<TARGET><BILL></BILL><SUBJECT>01-22-15 DISCUSSION OF  
PROJECT STATUS AMBLER ROAD - SUSITNA-WATANA - KNIK ARM  
BRIDGE - ALASKA STAND ALONE PIPELINE - KODIAK LAUNCH  
COMPLEX</SUBJECT><COMM>STRA29</COMM></TARGET>



# Administrative Orders

FROM THE OFFICE OF THE GOVERNOR OF ALASKA



Bill Walker  
GOVERNOR

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

December 26, 2014

## ADMINISTRATIVE ORDER NO. 271

I, Bill Walker, Governor of the State of Alaska, under the authority of Article III, Sections 1 and 24 of the Constitution of the State of Alaska, implement this fiscal restraint order to all State agencies.

### PURPOSE

With the extensive drop in market oil prices contributing to a large budget deficit, there is a need to take immediate and responsible action to ensure the State remains in a healthy fiscal position. Consequently, pending further review, I am directing all State agencies to halt to the maximum extent possible discretionary expenditures for the following projects (each a "Project"):

- A. Ambler Road Project (Alaska Department of Transportation and Public Facilities, Alaska Department of Natural Resources);
- B. Juneau Access Project (Alaska Department of Transportation and Public Facilities);
- C. Susitna-Watana Dam Project (Alaska Energy Authority);
- D. Kodiak Launch Complex (Alaska Aerospace Corporation);
- E. Knik Arm Crossing Project (Knik Arm Bridge and Toll Authority, Alaska Department of Transportation and Public Facilities); and
- F. Alaska Stand Alone Pipeline Project (Alaska Gasline Development Corporation).

### ORDER

Under the authority of Article III, Sections 1 and 24 of the Constitution of the State of Alaska, I order that each agency working on a Project shall:

- A. Immediately cease all discretionary spending on the Project and
  - (1) not incur new or additional expenses or obligations including hiring personnel or entering into or amending any contracts (unless entering or amending a contract would reduce agency costs);
  - (2) not spend any unobligated or unencumbered funds that have been appropriated to the agency by the Alaska Legislature;
  - (3) not spend funds received from the federal government or from other sources through contracts, grants, donations, or other instruments or transfer, unless such funds have been obligated or encumbered by the agency.

- B. To the extent spending is non-discretionary, such as contractually required spending and salaries of existing agency personnel, continue to work on the Project until further notice.
- C. Submit to the director of the Office of Management and Budget by 5:00 p.m. on January 5, 2015, a report that includes the following information for the Project:
  - (1) a spreadsheet of discretionary funding obligations subject to this Administrative Order;
  - (2) a spreadsheet of non-discretionary funding obligations, including contracts, and the sources of funds for payment of those obligations, and potential costs to delay, suspend or terminate each contract or obligation;
  - (3) budgeted personnel costs for the remainder of Fiscal Year 2015; and
  - (4) operating costs status to date.

### OTHER PROVISIONS

This Order takes effect immediately.

Dated at Juneau, Alaska, this 26th day of December, 2014

/s/Bill Walker  
Governor

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# SUSITNA-WATANA HYDRO

*Clean, reliable energy for the next 100 years.*

[Susitna-WatanaHydro.org](http://Susitna-WatanaHydro.org)

House and Senate Transportation Committees  
Sara Fisher-Goad, executive director  
January 22, 2015

# 2014 Licensing Milestones

- Initial Study Report (ISR) Filed with FERC
  - More than 8,000 pages
  - 2013 results for 51 studies
- 32 Technical Memorandums on 2014 Environmental Study Results Filed with FERC
- Data collection completed on 13 FERC-approved studies
- Report to the Legislature made available January 20, 2015

# 2014 Environmental Program

## **Safe and Effective Field Season**

- More than 200 in the field, with one OSHA-recordable incident

## **Increasing Understanding of Susitna Basin**

- Advancing the state of science for agencies to better manage resources (fish, wildlife, birds)
- Publicly-available data and imagery
- Multi-agency collaboration

# 2014 Environmental Program

Advancing the State of Science for agencies to better manage resources:

- Wildlife, recreation, subsistence surveys
- Documented distribution of invasive Northern Pike in the Lower Susitna River
- Contributed more than 4,500 tissue samples to the ADF&G Gene Conservation Lab
- Expanded distribution data for Chinook salmon and Lake and Rainbow Trout

Partnerships to maximize value of state investments, especially in fisheries research

# 2014 Environmental Program

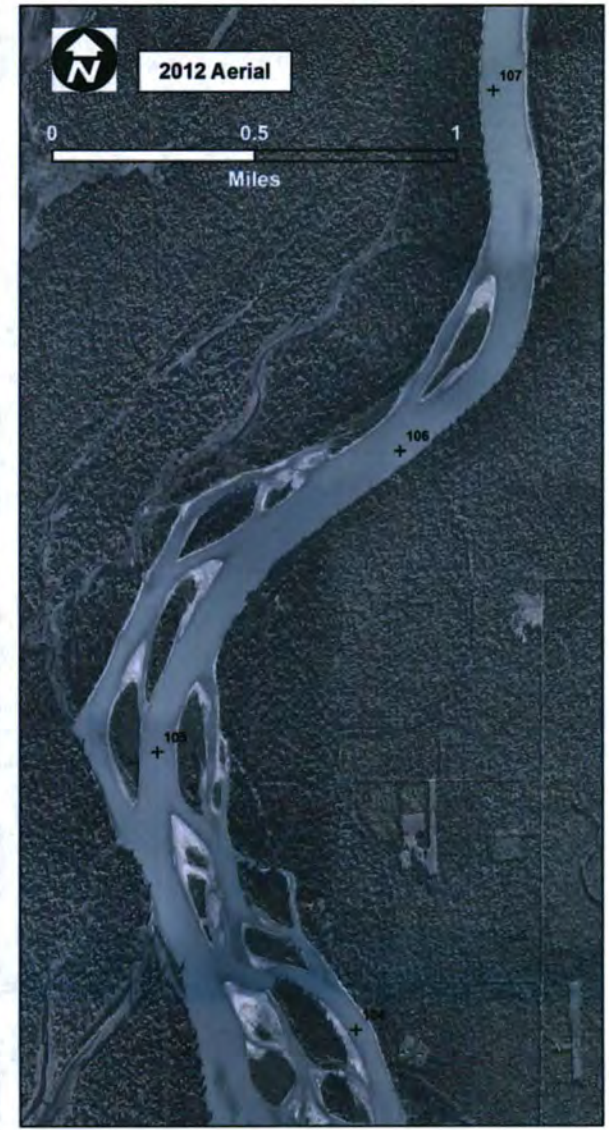
## Data collection and trends similar to 1980s

- Fish distribution
- Chinook salmon only documented anadromous fish above Devils Canyon
- Water chemistry and seasonal changes in chemistry
- Geomorphically stable river system
- Magnitude of bird migration and breeding distribution

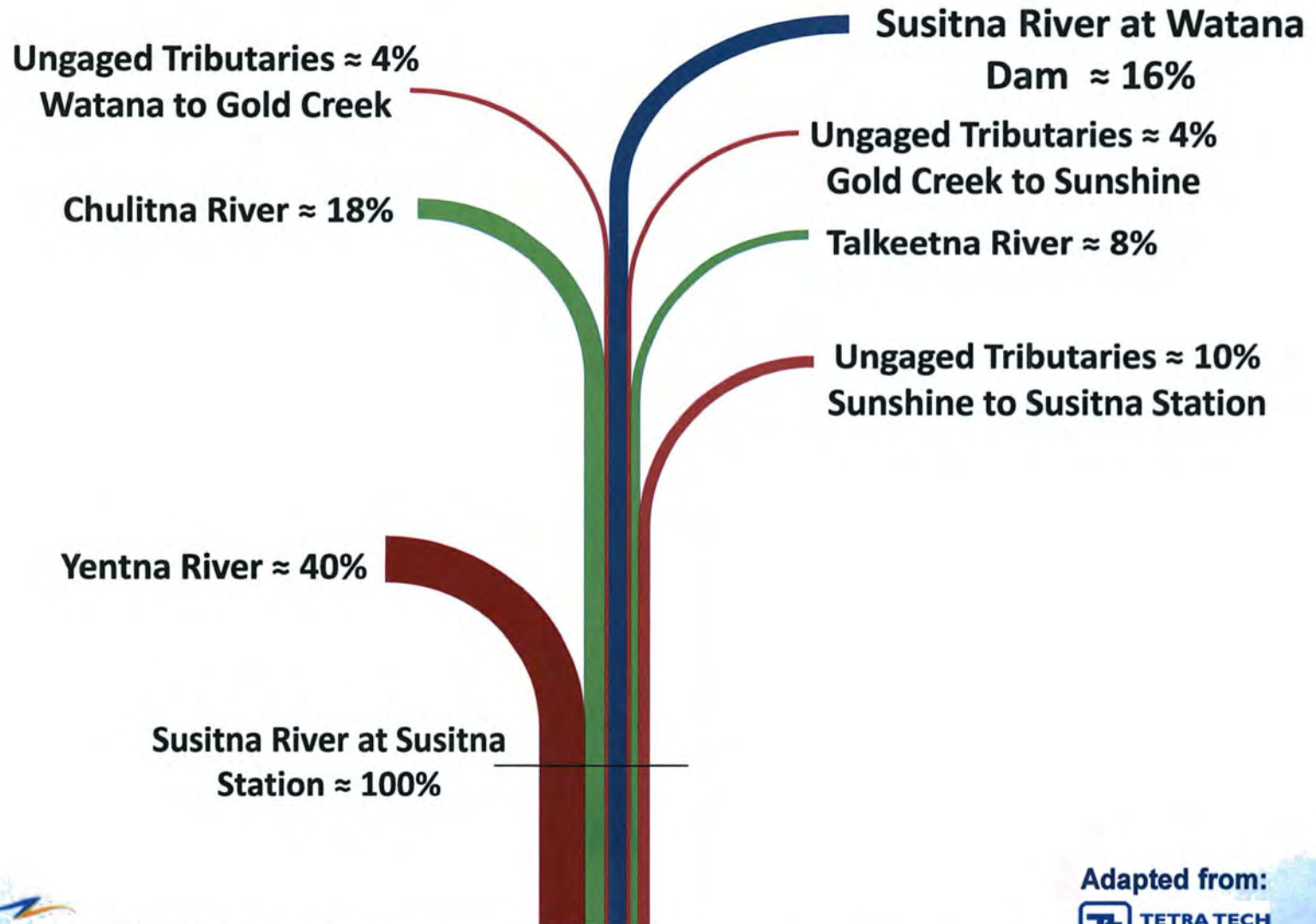
## Defining potential areas of impacts

- Insignificant water quality or geomorphic impacts below Yentna River Confluence- No further modeling proposed
- Minor impacts on main channel geomorphology in Middle River- Dam site to Chulitna River

# The Susitna River is a Stable System



# Average Annual Flow Contributions



# Chinook Salmon and Devils Canyon

## Tagged Chinook Salmon and Devils Canyon

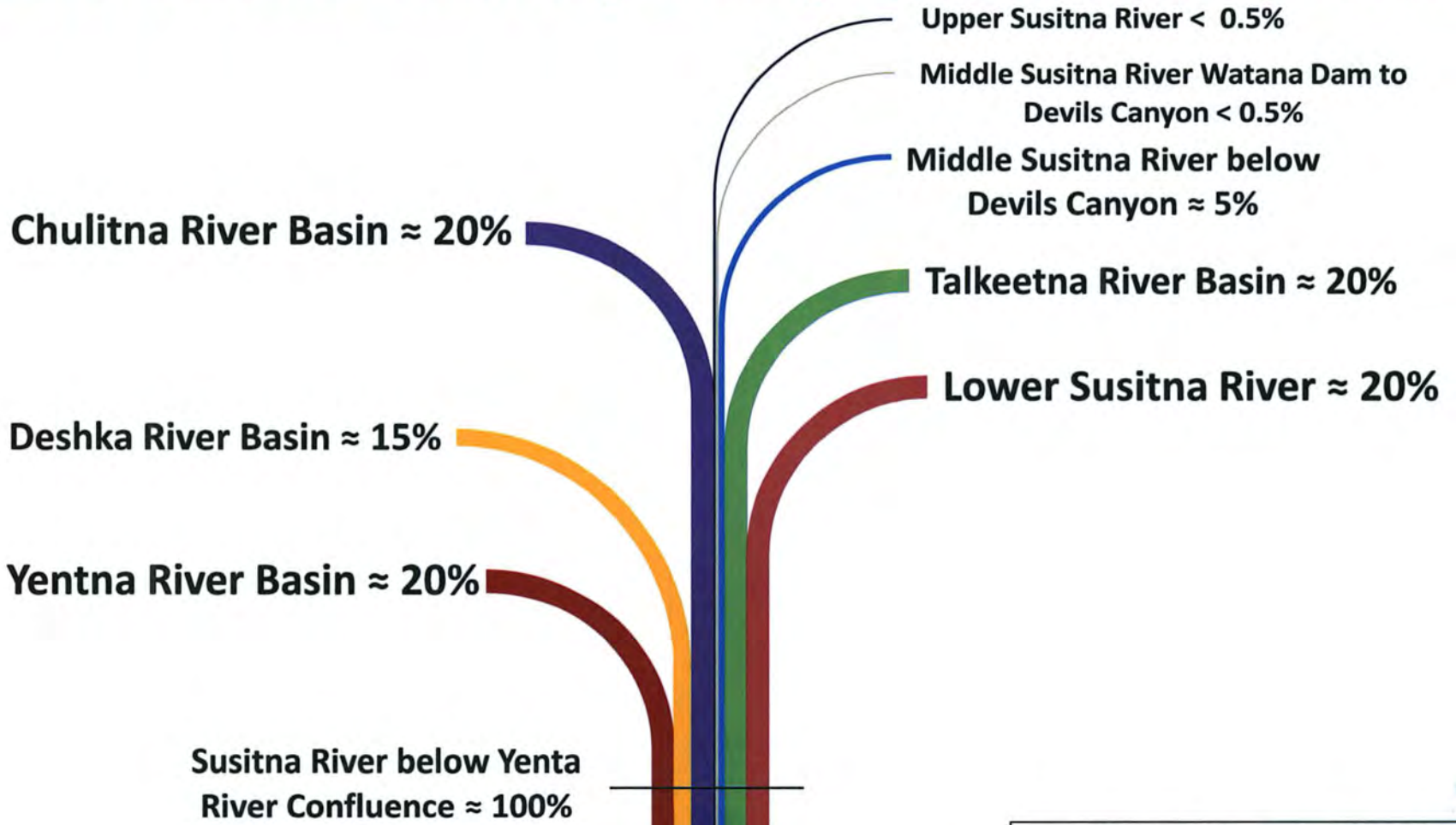
Only one salmon species has been documented within 30 miles of the project site.



# Salmon, Tributaries and Devils Canyon

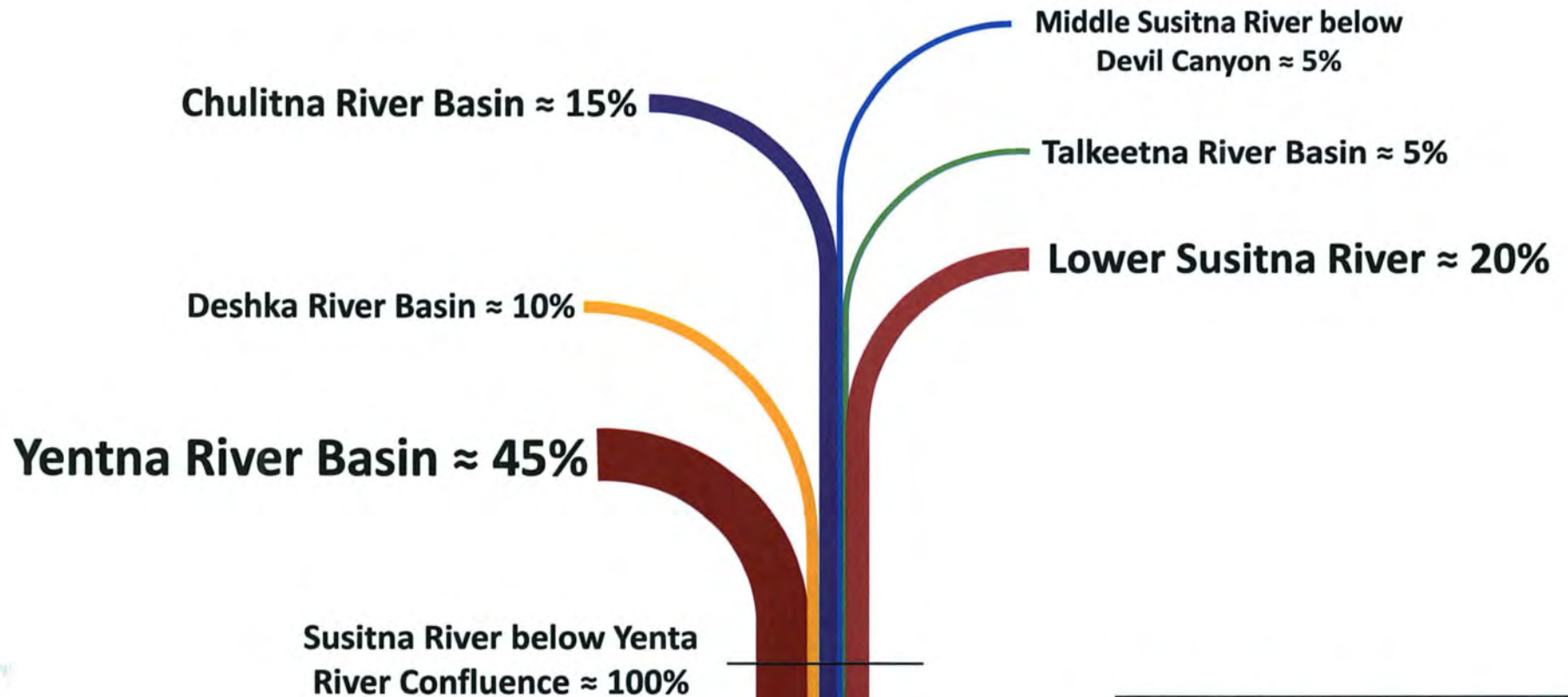
- Salmon spawn in tributaries and off-channel habitats
- Chinook Salmon only anadromous fish documented above Devils Canyon
  - Less than 0.5% total Susitna River Chinook escapement
- 97-99% of Chinook tagged in Lower River spawned in tributaries
  - 0.6 to 2.7% spawn in mainstem Susitna River, below Three Rivers Confluence
- 93-97% of Coho tagged in Lower River spawned in tributaries
  - 2.8 to 6% spawn in mainstem Susitna River below Three Rivers Confluence

# 2013 Chinook Salmon Spawning Contributions by Basin



Estimates reflect assumptions regarding data gaps and inconsistencies. Assumes 20% of Chinook return to the Yentna River. Data Sources: LGL (2014)

# 2013 Coho Salmon Spawning Contributions by Basin

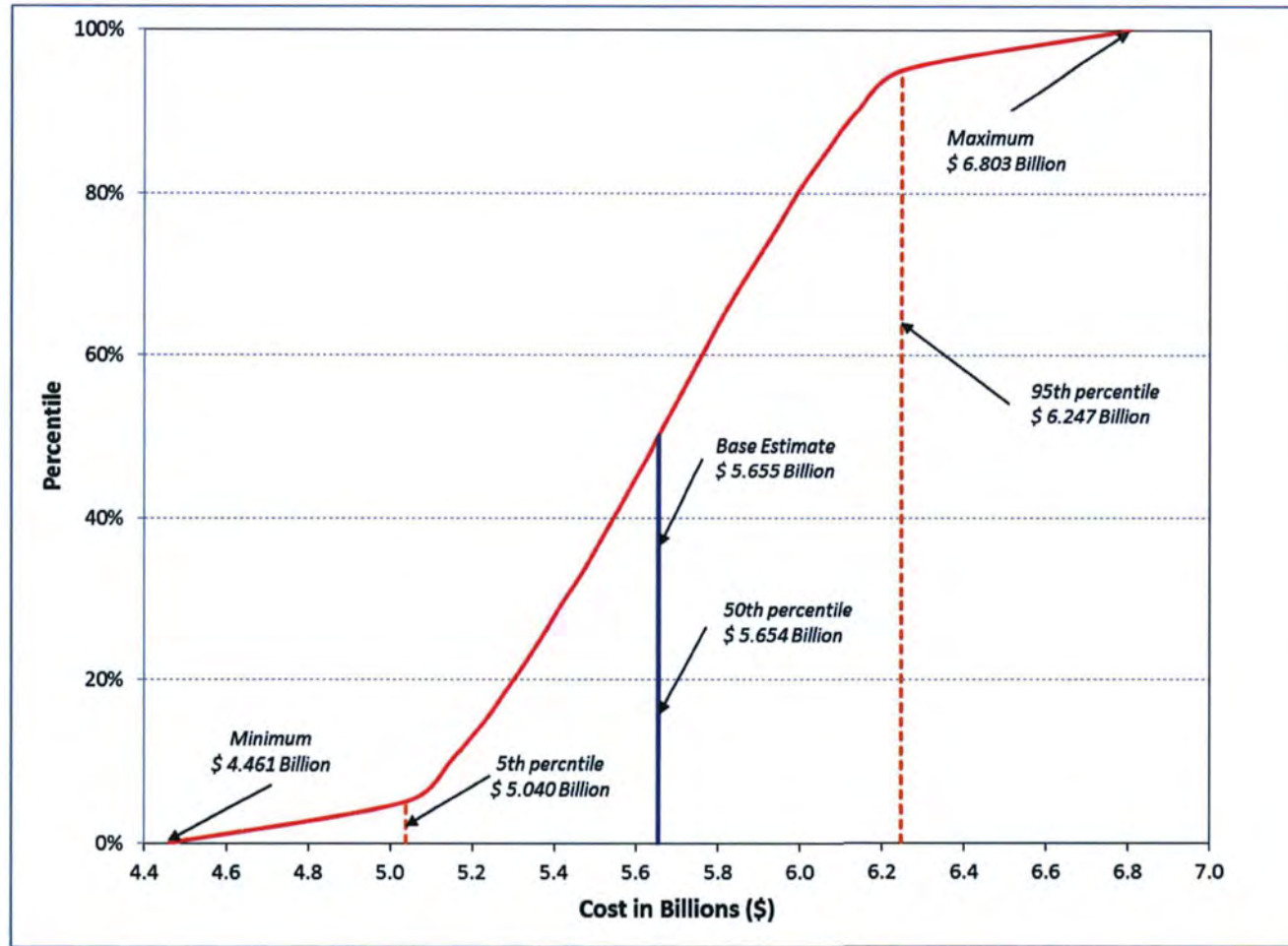


Estimates reflect assumptions regarding data gaps and inconsistencies. Assumes 45% of fish return to Yentna River (Merizon 2010). Data Source: LGL (2014)

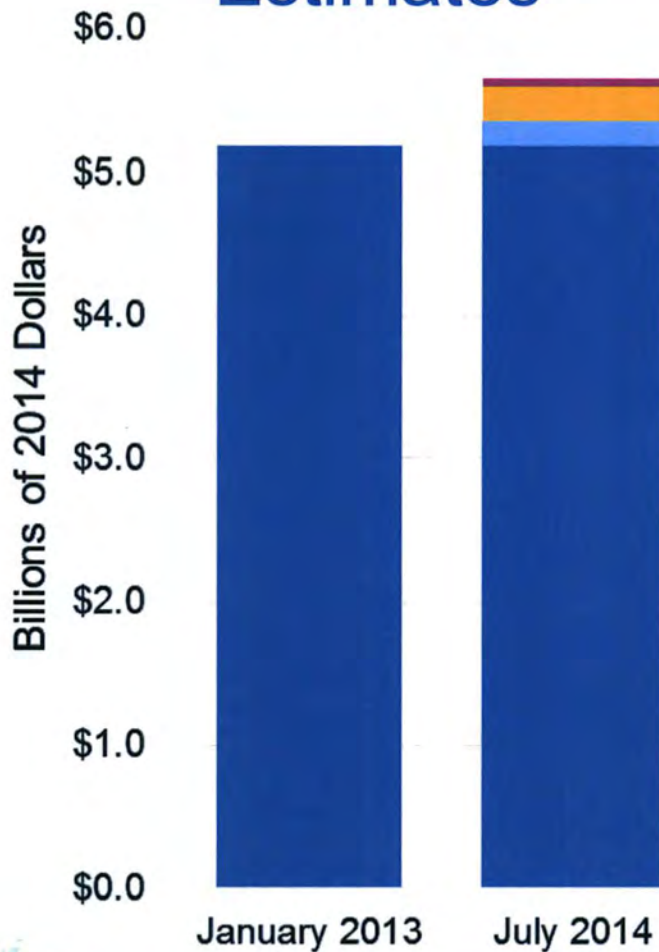
# 2014 Engineering Accomplishments

- Board of Consultants Endorsed Roller Compacted Concrete and Dam Configuration
- 2014 drilling confirmed no active faults found at dam site
- Mean Annual Energy - 2,800 Gigawatt Hours
- Engineering Feasibility Report - January 2015

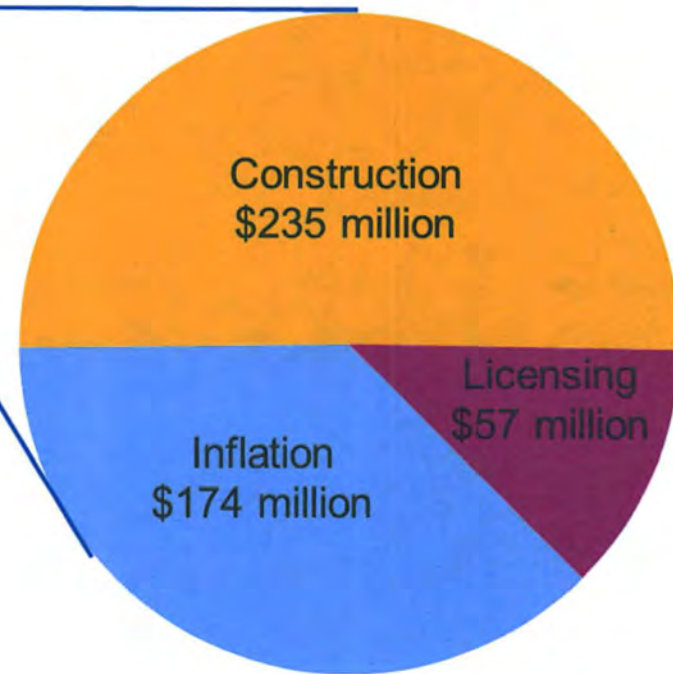
# Project Cost Range



## Comparing Cost Estimates



## Components of Cost Update



# Comparing 3 Finance Options

- **Bond & RUS Financing**
  - AEA Revenue Bonds (30 years, 5% interest, refinanced)
  - RUS financing remainder of construction (35 years, 4% interest)
  - \$0.074/kWh 50 year average real price
- **All Bond Financing**
  - All construction financed with AEA Revenue Bonds (30 years, 5% interest, refinanced)
  - \$0.083/kWh 50 year average real price
- **State Loan & RUS**
  - State loans (30 year repayment beginning after RUS is paid off, 0% interest)
  - RUS financing remainder of construction (35 years, 4% interest)
  - Similar to Bradley Lake model
  - \$0.041/kWh 50 year average real price

FERC No. P-14241  
Diversifying Alaska's energy portfolio



**SUSITNA-WATANA HYDRO** *Clean, reliable energy for the next 100 years.*

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### Project Highlights

**Location:** River mile 184, above Devils Canyon  
**Size:** 750-foot high dam

**Reservoir:** 41-miles long, 2-miles wide (at widest)

**Estimated Supply:** Nearly 50 percent of Railbelt electrical demand

**Installed Capacity:** 600 MW

**Annual Energy:** 2,800,000 MWh

**Licensing:** Federal Energy Regulatory



# Susitna-WatanaHydro.org



  
**SUSITNA-WATANA HYDRO** *Clean, reliable energy for the next 100 years.*



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

## Department of Transportation and Public Facilities

OFFICE OF THE COMMISSIONER  
John Binder, Acting Commissioner

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January 28, 2015

Senator Peter Micciche  
Chair, Senate Transportation Committee  
State Capitol Room 514  
Juneau, AK 99811

Representative Neal Foster  
Co-Chair, House Transportation Committee  
State Capitol Room 434  
Juneau, AK 99811

Representative Shelly Hughes  
Co-Chair, House Transportation Committee  
State Capitol Room 13  
Juneau, AK 99811

Dear Senator Micciche, Representative Foster, and Representative Hughes,

In response to questions posed by Senate and House Transportation Committee members on January 22, 2015, the following information is provided:

- **Provide information on the efficiencies the Alaska Marine Highway System (AMHS) has recently implemented to reduce costs.**

Please see attachment #1 for a discussion of service reductions and revenue enhancements implemented by AMHS in FY2014.

- **How much is needed in state general funds for Juneau Access?**

Federal-aid for highway projects generally requires a 9-10% match of non-federal dollars. Generally, the state requests GF for match annually for the entire federal program and it is not specific to the projects.

The estimated Juneau Access project cost as reflected in the 2014 Draft Supplemental Environmental Impact Statement is \$574 million (2012 dollars). At this time there is \$48 million unexpended in a direct state appropriation to Juneau Access.

*"Keep Alaska Moving through service and infrastructure."*

- **What options exist for paying back the federal government if Juneau Access is cancelled?**

Transportation projects using federal highway funds are subject to 23 CFR §630.112

(c) The State must stipulate that as a condition to payment of the Federal funds obligated, it accepts and will comply with the following applicable provisions:

(1) *Project for acquisition of rights-of-way.* In the event that actual construction of a road on this right-of-way is not undertaken by the close of the twentieth fiscal year following the fiscal year in which the project is authorized, the STD will repay to the FHWA the sum or sums of Federal funds paid to the transportation department under the terms of the agreement. The State may request a time extension beyond the 20-year limit with no repayment of Federal funds, and the FHWA may approve this request if it is considered reasonable.

(2) *Preliminary engineering project.* In the event that right-of-way acquisition for, or actual construction of, the road for which this preliminary engineering is undertaken is not started by the close of the tenth fiscal year following the fiscal year in which the project is authorized, the STD will repay to the FHWA the sum or sums of Federal funds paid to the transportation department under the terms of the agreement. The State may request a time extension for any preliminary engineering project beyond the 10-year limit with no repayment of Federal funds, and the FHWA may approve this request if it is considered reasonable.

Each situation is evaluated by FHWA. Two examples were used during the committee meeting: a project for the Tony Knowles Coastal Trail was cancelled as the “no build” option was selected and no payback was required; the Highway to Highway project was cancelled and FHWA required the state to repay approximately \$10 million.

- **How long will the traffic study completed for the Knik Arm Crossing project be valid if the project is delayed?**

The traffic and revenue study would go stale within a couple of years (total cost was about \$1 million). Unlike traffic studies done for planning purposes every 4 years or so, this one is a project specific, investment grade study that the rating agencies will expect to be very current.

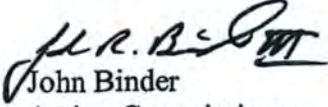
- **What would the cost be to the state if the TIFIA loan process is delayed?**

It would be difficult to determine the costs if the TIFIA loan process is delayed. Costs would depend on the length of time the project is delayed. Some of the items that may be affected include:

- Current TIFIA loan rates are very low (*2.37% for urban section, 1.185% for rural section, for an approx. blended rate of 1.49%*) and we don't know what they will be in the future or if the program will continue to be funded
- Depending on the length of the delay, parts of the environmental document may have to be updated
- As mentioned above, the traffic and revenue studies may need to be updated if the loan application is delayed for more than a couple of years

- **How much funding in federal earmarks has been provided for Juneau Access?**  
The federal earmarks in SAFETEA-LU total \$7 million.

Sincerely,

  
John Binder  
Acting Commissioner

cc: Senate and House Transportation Subcommittee members  
Kim Rice, Deputy Commissioner, DOT&PF  
Capt. John Falvey, General Manager, Alaska Marine Highway System, DOT&PF  
Connie McKenzie, Legislative Liaison, DOT&PF

**ALASKA MARINE HIGHWAY  
General Fund \$4.5M Reductions**

**Service Reductions: (Total expected General Fund Savings \$3.2M in FY 2014)**

The following actions have been taken:

1. **Lituya Operations:** In July of 2014 service was cut from 5 day per week 12 hour per-day service to 5 day per week 10 hour per-day service.
2. **Fairweather Operations:** Originally scheduled to provide 4 day per week Sitka-Angoon-Juneau service commencing 2/27. This has been cancelled through Mid-May. Please note the vessel is not available during this period due to an engine re-power.
3. **Taku Operations:** Originally scheduled to begin Rupert – Juneau service on June 1. This service will not start until July 1. Please note the Taku is in an overhaul during May.
4. **Close Gift Shops:** Gift shops operated on the mainliner vessels at an annual operating loss of \$1.0M. Closing the gift shops reduces the GF need by this amount.
5. **Outsource Service:** AMHS previously had \$.2M in its annual budget so as to provide “out-sourced service” when vessel overhauls/capital projects created gaps in service. This service is no longer available.

**Revenue Enhancements: (Total expected General Fund Savings \$1.2M in FY 2014)**

The following actions have been taken:

1. **Travel Agent Commissions** – Commencing with the “Summer-2014” schedule, May 1, 2014-9/30, 2014, AMHS will no longer pay commissions on the following travel 100k:
  - Authorized Military travel
  - Alaska resident travel on in-state travelExpected General Fund Savings on these programs for 2014 is \$96k. Please note that in FY 2014 May and June are impacted. Expected annual savings are \$448k.
  
2. **Discount Programs** – The following “seasonal discount” programs have not been renewed by AMHS:
  - The “30% Winter Roundtrip Discount” - This discount was for winter “mirror-image” round trip tariffs from November through March 650k.
  - Summer “Driver goes Free” – This discount was for summer “mirror-image” round trip tariffs for May through September 450k.Expected General Fund Savings from this action is \$1.1M. This represents full savings from the 30% discount but only 2 months of the driver goes free program.

**Administrative Cost Reductions: (Total expected General Fund Savings \$.1M in FY 2014)**

The following actions have been taken:

1. **Elimination of Printed Schedule** – This program starts with the recently released “Summer- 2014” schedule. AMHS expects to save \$50k in postage costs annually.
2. **Reducing Bellingham warehouse needs** – The Port of Bellingham has been notified of AMHS intent to walk away from a high percentage of warehouse needs. AMHS is currently proceeding with moving inventory items from Bellingham to Ketchikan.

**3. Miscellaneous Office expense reductions –**

- Cell Phone efficiencies – to be implemented 1/1/14
- Centralized Office Printing – ongoing
- Reducing non-essential Shore-side OT – ongoing
- Tok commissions – revoked 10/1/13



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# **Joint Transportation Committee**

**AGDC Response  
AO 271**

January 22, 2015



# ASAP Response AO 271

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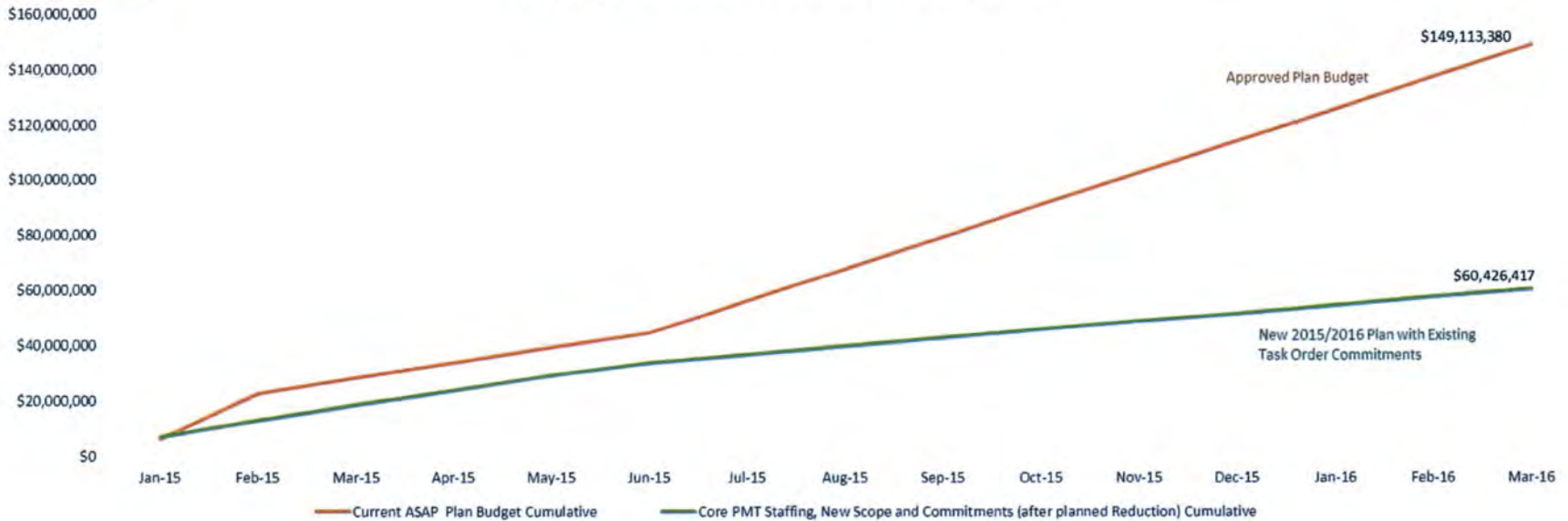
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- AGDC received \$355 mill legislative approp in 2013 to advance the Alaska Stand Alone Pipeline (ASAP) through open season and project sanction by 2016
  
- In response to State's 2014 decision to invest in the Alaska LNG initiative, AGDC initiated an extensive review of all ASAP related activities and schedules:
  - Align with anticipated 1Q2016 Alaska LNG FEED decision
  - Identify essential tasks, durable work and transferable data beneficial to either projects
  - Delay ASAP commercial activities: recourse tariff filing and open season
  - Scale activities to those necessary to maintain viability and readiness of ASAP if Alaska LNG does not continue
  
- Revised 2015/2016 work plan submitted to OMB Jan 5 and approved by AGDC board Jan 8

# ASAP Revised 2015/2016 Spend Plan

New 2015/2016 Plan with Existing Task Order Commitments

ASAP Budget and Committed Values with 2015/2016 Work Plan



- Original pre-Alaska LNG work plan through 1Q16 was **\$150 million**
- Revised work plan is **\$60 million**, a \$90 million or 60% reduction

# ASAP Revised 2015/2016 Work Plan

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- ASAP specific activities that will be delayed under the revised 2015/2016 work plan:
  - Recourse tariff filing
  - Open Season
  - Pipeline and facilities re-designs to meet shipper requirement
  - GCF re-design to accommodate Pt. Thompson gas
  - Design of intermediate compressor stations
  - Engineering, procurement, and construction contracting for final design execution
  - Procurement of long lead time items – pipe, modules, equipment
  - Construction execution contracting

# ASAP Revised Schedule

Milestone	Original Timeline	Current Timeline
Alaska LNG FEED Decision	N/A	<b>1Q 2016</b>
ASAP Redesign Complete	N/A	<b>2Q 2017</b>
RCA Recourse Tariff Filing	4Q 2014	<b>3Q 2017</b>
Open Season Complete	3Q 2015	<b>2Q 2018</b>
Project Sanction	4Q 2016	<b>1Q 2019</b>
Project Complete/First Gas	4Q 2021	<b>3Q 2024</b>

- Work scaled and scoped to align with Alaska LNG FEED decision 1Q16
- ASAP commercial activities – tariff filing and open session – delayed until then
- If Alaska LNG doesn't proceed to FEED:
  - 1 year to finalize ASAP design and prepare RCA filing
  - Three and half years to construct
  - Project completion and first gas 3Q24

# Questions

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