CHRIS WEST, EIT
Staff Engineer
Peratrovich, Nottingham & Drage, Inc.

Engineer-in-Training, 2001, Alaska

B.S., Civil Engineering, 2001, Brigham Young University, Provo, UT

Chris West is a staff civil engineer with 1-1/2 years of Alaska design experience. Since joining PND upon graduation, he has worked in varying capacities on a wide range of projects including schools, roads, churches, industrial facilities and master plans. His assignments have encompassed site layouts, road design, and construction administration.

The following are representative of Mr. West's experience:

- Valdez Harbor Upland Improvements, Valdez – Involved with site design for this upland improvements project.
- Arctic Boulevard, Anchorage – Assisted with road design of Arctic Boulevard.
- Ron Larson Elementary School, Wasilla – Involved with site design for the school, including the design of a ½-mile entrance road.
- Meadow Lakes Elementary School, Wasilla – Assisted with on-site well and septic system design, as well as access road design.
- Denali Elementary School, Anchorage – Involved with site design of this facility, which is currently under construction; also providing construction administration services .
- Unalaska Elementary School – Assisted with site civil design tasks.
- Sherrod Elementary School, Palmer – Involved with site design of this school.
- Good Shepherd Lutheran Church, Wasilla – Served as project manager for this project, which included site renovations and improvements.
- Kasitsna Bay Research Facility, near Seldovia – Involved with site design for this new facility. The project included the design of a short entrance road and staging area.
- Boy Scouts of America Camps Master Plan, Mirror Lake – Served as project manager for BSA in the preparation of a master plan for 40+ acres of Boy Scout camps. The master plan included the conceptual layout and design of access road and trails throughout the camps.

References: Larry Peek, Architect, Lawrence H. Peek Architects, Anchorage, (907) 562-6001; Blase Burkhart, Architect, Kumin Associates, Anchorage, (907) 272-8833; Floyd Sheesley, City Engineer, City of Valdez, (907) 835-4313

JENNIFER WILSON
Senior Environmental Scientist
Peratrovich, Nottingham & Drage, Inc.

Certificates, 40 Hour HAZWOPER and 80 Hour Hazardous Worker Training
Confined Space & HAZCOM Certificates
Registered Washington State Site Assessor

MES, Environmental Studies, 2000, The Evergreen State College, Olympia, Washington
BS, Environmental Science, Western Washington University, 1995, Bellingham, Washington
AAS, Science, 1993, Tacoma Community College, Tacoma, Washington

Ms. Wilson is an environmental scientist with seven years of professional experience specializing in transportation issues. She has a variety of experience including permitting in Washington, Oregon, and Alaska; project management; and hazardous material investigations and cleanups. Her permitting experience includes Oregon's Joint Permit, US Army Corps of Engineer permits, Coastal Zone Consistency in Oregon and Alaska, and easement and tideland procurement from several states. Ms. Wilson works with many different clients including municipalities, cities, villages, state and federal agencies, and private sector clients. She also supports other environmental projects including environmental documentation for hazardous materials sites, spill prevention programs, Environmental Assessments, and Environmental Impact Statements. Ms. Wilson was previously with the Washington State Department of Transportation Hazardous Materials Program, where she received training and exp e in working with hazardous materials both in the design and cleanup phases. Her experience includes work g on projects where RCRA, CERCLA, and related state regulations apply.

Ms. Wilson's relevant project experience includes the following:

- Hazardous Materials Specialist, various projects. Ms. Wilson's experience with the WSDOT Hazardous Materials Program included conducting site investigations and documenting results. The documentation and recommendations were integrated into design to minimize risk to the department while maximizing the design and available funds. Ms. Wilson was also the lead developer and trainer for the department's Spill Prevention Program. This was a ground breaking program designed to reduce and eliminate unnecessary and preventable spills and violations of permits during construction. The program included training for contractors in writing and implementing the plan and training for engineers in reviewing and enforcing plan components. The key factor in this program is to identify potential waste and spill sources and to implement operating procedures, including having the necessary equipment on hand, to prevent, contain, and cleanup spills.
- Project Lead and Lead Writer, Glacier Bay National Park and Preserve Environmental Impact Statement on Vessel Quotas and Operating Requirements for Ecology & Environment, Inc. Coordinated writing of three subjects in this EIS for the National Parks Service, including Coastal Geomorphology, Oceanography, and Fjord Dynamics. The project included a Technical Memorandum on Vessel Wakes, which required the development of a model to determine the effects of vessel generated wakes on a large coastline. Ms. Wilson wrote and/or edited all sections of the Technical Memorandum and the EIS for publication. She worked with other PND Engineers and sub-consultants to complete the content of the Technical Memorandum.
- Project Lead, AUFS-W Fiber Optic Telecommunications project, Oregon and Alaska. PND Engineers is responsible for obtaining all required permits to land fiber optic telecommunication cables in Oregon and Alaska. Ms. Wilson is responsible for obtaining all permits and coordinating the survey activities in Oregon and Alaska. The survey includes working with our in-house survey crew for the upland survey and coordinating with the deep marine survey firm. The surveys conducted by both firms were combined into a single map and report.
- Project Lead, various Gunderboom, Inc. projects. Coordinate PND Engineers staff with Gunderboom staff for project development, design, and implementation. Projects are in many states (New York,

California, Washington) and involve many different staff members. Each project is unique and with different needs and requirements. The Gunderboom system is designed and engineered for each site. Projects include a noise attenuation report for the CalTrans East Span Oakland Bay Bridge, Marine Life Exclusion System™ projects in California and New York, and Contaminant Exclusion system in Washington.

Permitting Specialist, various projects. Ms. Wilson was responsible for obtaining all permits for the following projects:

- Kasitsna Bay NOAA Laboratory Redevelopment, Alaska. Coastal Consistency Determination, USACE Section 404 permit, Tidelands Easement, Critical Habitat Area Permit, and Wastewater & Water System upgrade approval.
- Skagway Railroad Dock Extension, Alaska. Coastal Consistency Determination, USACE Section 404 permit, and Tidelands Easement.
- Coffman Cove Road, US Forest Service, Alaska. Coastal Consistency Determination and USACE Section 404 permit.

References: Hal Dryer, Gunderboom, Inc., (907) 349-7008; Terry M. Stephens, Washington Department of Transportation (360) 570-6656; Bruce Rein, GCI Communication, Inc. (907) 868-5633.

VALDEZ PETROCHEMICAL FACILITY FEASIBILITY STUDY
PND RELEVANT PROJECTS

PND is familiar with all aspects of marine feasibility and site-civil studies relative to potential development of a petrochemical complex in Valdez. The following projects exemplify PND's experience relevant to the proposed study and the Valdez area.

ANDERSON BAY LNG PORT, Valdez, AK

PND provided Yukon Pacific Corp. in 1986 with refined conceptual layouts for a proposed deep-water liquid natural gas port facility at Anderson Bay, located along the south shore of Valdez Arm, immediately west of the Alyeska Pipeline Service Company Terminal. Work included development of conceptual plans for a main berthing facility to accommodate 1,000-foot-long, 125,000-cubic-meter vessels; a combination cargo and fuel dock; a ferry loading facility; and a barge landing facility. Conceptual site grading plans, including dock layouts, staging areas and roadway positioning, were provided for the 200-acre site, as were preliminary spoils disposal plans to accommodate over 7 million cubic yards of fill composed of till, rock, and waste material. Seven locations, each within 1-1/2 miles of the facility, were identified by the client as potential disposal sites, and three alternate disposal plans were furnished. Total estimated construction costs for the terminal were approximately $900+ million.

TRANS-ALASKA GAS SYSTEM RIVER ENGINEERING, Alaska statewide

A proposed Trans-Alaska Gas System (TAGS) Pipeline would cross a variety of river and stream types from Prudhoe Bay to Valdez. River engineering considerations for buried pipeline crossings were just one aspect of a design study completed by PND for Yukon Construction Company in 1986. The information provided through this study was used during the pipeline route selection process, and subsequently in preparation of the Environmental Impact Statement. General criteria for design and construction of buried crossings on rivers and streams were identified with the benefit of PND's extensive experience in a wide range of settings - from small, deeply-incised streams, to wide, braided rivers. A classification system was developed based primarily on morphology and flow potential characteristics, since design criteria are strongly affected by these basic variables. River processes were outlined, with specific reference made to the effects and potential hazards of these processes on a buried pipeline crossing. The primary river processes included in the study area were river bed degradation, local scour, lateral channel migration, floodplain scour, river ice and aufeis effects, channelization of flow, sedimentation, and effects of nearby man-made structures. PND presented general criteria for design of river and stream crossings, including crossing location, alignment, burial elevation, determination of degradation and local scour, determination of the active floodplain, design flow considerations, and erosion control. Finally, recommendations for construction criteria were presented with special emphasis on techniques and procedures to minimize the short-term and long-term impact of construction on the existing natural river regime.

CHIGNIK DOCK PROJECT, Chignik, AK

The ongoing Chignik Dock Project is a 7.4-acre open cell sheet pile fill dock being developed for the City of Chignik. The use of inexpensive spoils from dredging of the Chignik small boat harbor will provide for a very inexpensive and functional facility. The eventual $8.5 million dock will comprise a ferry dock, a ship lift capable of lifting 100-ton boats, and substantial uplands that will include ferry staging, transient container storage and maintenance areas. This project is significant because the City of Chignik is planning to tie together three local villages - Chignik Lakes, the City of Chignik and Chignik Lagoon - by road within the next few years, and Chignik will serve as the regional port for the area.

WILLIAMS ANCHORAGE PORT DEVELOPMENT, Anchorage, AK

This project involved expansion of an existing waterfront at the Port of Anchorage. The 1,100-foot retaining surface had to be capable of resisting extreme ice, waves and erosion. The expansion was necessary to provide room for a railroad track loop suitable for turning and staging an entire fuel car train. Fuel delivered by train to the Port of Anchorage is stored and dispensed through marine, pipeline and land links. Alternative

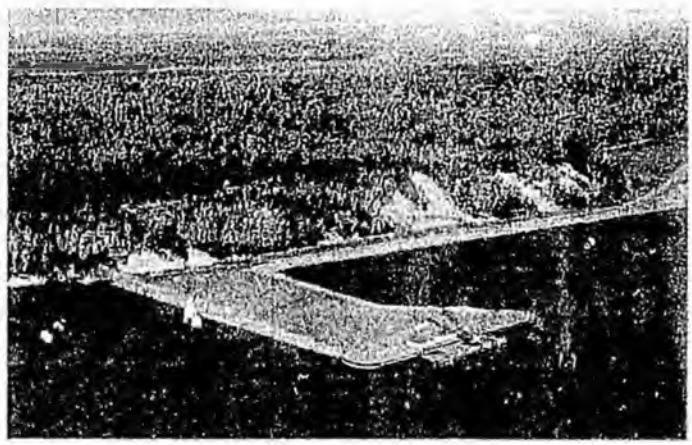
designs initially included a rock-armored buttress and an anchored 'Z' pile bulkhead. However, the open cell bulkhead solution offered an approximate 25% savings ($1 million). About 1,200 tons of flat sheet pile was used in the project. Other open cell structures built over the past 20 years have collectively endured more than 3,500 earthquakes and weathered extreme environments of moving ice masses 6 feet thick and the cyclical loading of waves 14 feet in height. PND provided design and contract documents, including plans and specifications, suitable for contractor bidding or negotiation. Assistance in materials procurement and contractor selection was also provided. This project was completed in 2001 for $3 million.

DOCK UPGRADE STUDY, Kenai, AK

PND performed a study to upgrade Kenai Pipeline (KPL) Dock to allow berthing of 125,000 dwt vessels. This project included completing a structural analysis and preparing a report on the platform, supporting piles, pile-soil interface, outer and intermediate finder assemblies and mooring dolphins regarding their ability to withstand the controlling loads imposed by berthing a 125,000 dwt, 150-foot-wide vessel and a 70,000 dwt, 140-foot-wide vessel, with a maximum berthing velocity of 0.15 m/sec.

PORT MACKENZIE DEVELOPMENT, Southcentral Alaska

Development of Port MacKenzie, in the Matanuska-Susitna Borough in Southcentral Alaska, included design by PND and construction of a cost-effective gravel and sheet pile bulkhead dock, to –20 feet MLLW. The $8.25 million development project, with $6.75 million appropriated by the Alaska Congressional Delegation, plus 20% matching funds from the State of Alaska and the Matanuska-Susitna Borough, was a Federal Highway Administration high priority project. An additional federal appropriation of $4.5 million would enable making ferry service between Anchorage and the new port a reality. Port MacKenzie offers 1800 acres of industrial and commercial development opportunity. Adjacent lands offer more than 7,000-acres for residential and commercial development. Potentially, Port MacKenzie could become an international port and industrial site with the following features:



- Access to the Pacific Rim transportation routes
- Natural Resources such as gas, oil, minerals, gravel, timber, and agriculture
- Infrastructure such as ferry service, road access, low cost electricity, natural gas, telecommunications, and water.
- The site is currently under consideration to support module fabrication and loading operations for oilfield development.

The port facility was dedicated in December 1999. Final cost was $7.1 million, which is more than 10% below the Engineer's Estimate.

NIKISKI DOCK FEASIBILITY STUDY, Nikiski, AK

In early 1990, PND performed a feasibility study and furnished preliminary designs for a major multiple-use refinery dock to be located near an existing dock in Nikiski, near Kenai, Alaska. In order to achieve the 50-foot water depth at pierhead line, necessary to accommodate 140,000-ton 900-foot-long tankers, as well as barges and smaller vessels, the solution required nearly 1/2-mile of trestle approach dock. Two alternatives were presented. The first was a light-capacity dock, designed to accommodate HS20 trucks and normal highway loads, and the second was a heavy-duty dock able to sustain normal vehicular loads, 988 front-end loaders, and a 150-ton mobile crane. The light dock featured a 16-foot-wide approach, and a 200-foot-long by 60-foot-wide dock head with heavy fender systems, two breasting and four mooring dolphins, power capstans

and quick-release hooks, catwalks, fuel lines, and associated utilities such as lighting. The heavy dock was of similar design, however, the dock approach was 30 feet wide and the dock head measured 90 feet wide by 300 feet long. Both docks were designed to withstand strong currents, high winds, and floating ice forces, which are expected to exceed 200 tons per pile. Estimated construction cost was $26 million for the light dock, and $29 million for the heavy dock.

SEWARD COAL PORT DESIGN, Seward, AK –This project (right) was necessary to support an 80,000-ton-per-year coal export operation, and PND's participation was distinguished by receipt of a national award from the James F. Lincoln Arc Welding Foundation. PND engineered the ship basin and marine facilities, in addition to foundations for upland coal-handling facilities. The port incorporated five breasting dolphins, one of which was located in excess of 100 feet of water, and a slip-over fender system, which rests on the dolphins, and which safely moors the 130,000 DWT bulk cargo carriers that transport Alaska coal to Korea. Illumination, and electrical and water systems were also devised, as were modifications to the ship loader and trestle. Fast-track design enabled the $20 million development, Alaska's first joint venture with a Pacific Rim neighbor, to be constructed and operational within a year.

ALASKA GAS LINE HYDROLOGY STUDY, Alaska to Alberta, Canada

In anticipation of construction of the North American Natural Gas Pipeline Project (Alaska to Alberta), PND identified data gaps in existing data sources, conduct winter and summer fieldwork to fill the gaps that are identified, and produce an early assessment of stream crossings along the proposed pipeline routes appropriate to supporting application requirements. The work will consist of tabulating and categorizing stream crossings, noting major or problematic streams, and collecting field observations of winter conditions at selected streams.

ALASKA PIPELINE CO. PIPE REBURIAL NEAR BURNT ISLAND, Burnt Island, AK

During a routine pipeline inspection, representatives of the Alaska Pipeline Company, a subsidiary of Enstar Alaska, Inc., observed exposure of approximately 300 feet of their dual 12-inch-diameter concrete-coated gas pipelines. The pipelines were installed in 1960 in an active Cook Inlet channel near Burnt Island and provide transmission of the primary natural gas supply from the lower Cook Inlet offshore gas field to Southcentral Alaska, mainly Anchorage. Scour appears to have occurred in this area in the past, but has never before caused exposure of the pipelines, although the area settled an estimated five feet during the 1964 earthquake. The pipelines are buried in unusually fine-grained soil comprised of glacial sediments and are subject to a unique flow phenomenon resulting from Cook Inlet tides. Specifically, when the tide drops below -4 feet MLLW (approximately 25 times or 6 hours annually), the incoming tide is delayed from entering this side channel. When the water begins flowing into the channel, it travels at velocities ranging from 12-16 fps. The force of the incoming rush of water results in extreme vibration of the unsupported pipelines, subjecting the exposed pipelines to large amplitudes ranging from several inches to approximately one foot, and frequencies of 40-50 cycles per minute. Each event usually lasts for less than 15 minutes but subjects the unsupported pipelines to large stresses. The combined team of civil contractor Conam, marine contractor American Marine and PND presented a work plan and target budget that was accepted by the owner. The plan, as implemented by the team with the full support of the owner, is presented in this paper. The results of the repair included both onshore excavation of silts and sand by conventional methods and offshore dredging

using a jet sled towed from an anchored barge. The pipelines were partially reburied and further protected by 2-cubic-yard fabric bags filled with native soil, which were installed over the pipelines by helicopter. The results of the repair appear satisfactory, and Enstar will continue to monitor the site.

FUEL-LOADING FACILITY REJUVENATION, Anchorage, AK

Tesoro retained PND to design and administrate repairs to their bulk loading facility at the Port of Anchorage. This one-acre paved area straddles the old meander line of Cook Inlet, and the soils are a combination of imported sand and gravel along with the original clay, silt and organics. PND's design, which is presently nearing completion, provides for improved drainage and better soils; utilization of geotextiles to support durable long-lasting pavement; and an oil spill containment area consisting of a heavily-reinforced concrete slab (to support tanker truck traffic), and a concrete and asphalt berm. Work has included topographic surveys and soils exploration services. Total estimated construction cost in 1990 is under $300,000.

MAPCO PIPELINE PROJECT, Fairbanks, AK

PND worked with Associated Pipeline Contractors, Inc. in support of MAPCO Pipeline Company's investigation of a new 390-mile, 16-inch-diameter products pipeline from the MAPCO Refinery at North Pole, Alaska to MAPCO's tank farm at Anchorage, Alaska. The proposed route follows the Alaska Railroad alignment. The project included the following tasks:

- Preliminary route reconnaissance.
- Conceptual designs for pipe burial in permafrost, discontinuous permafrost, silts, clays, glacial outwash, peat, and sands.
- Investigation of subsea pipe burial for the Cook Inlet route portion.
- Base maps for environmental assessment of the route.
- Conceptual design for typical pipe burial, crossing of existing DOT&PF bridges, new crossings and Cook Inlet subsea pipeline.
- Right-of-way verification and lease hold maps.
- Ownership research base maps for utilization by title search.
- Survey ground truthing at crossings, bathymetry for rivers, topography for valleys.
- Data research for corridor, met with landholders, and collected data base.
- Rough-order-of-magnitude cost estimates for the project.
- A similar route was previously investigated for a different client.

WEST NORTHERN LIGHTS PIPELINE REROUTE, Anchorage, AK

When the Municipality of Anchorage rerouted West Northern Lights Boulevard to pass under the Alaska Railroad, Tesoro was required to relocate approximately 1,000 linear feet of 8-inch-diameter pipeline. PND prepared plans and specifications for repositioning the petroleum products pipeline; assisted in bid evaluation; provided inspection services; and supported Tesoro by coordinating with the City, various contractors, and utility companies. This fast-track project was constructed in less than one month in 1986, for a construction cost of $150,000.

TESORO PIPELINE PROJECT, Fairbanks to Kenai, AK

An engineering study was performed to build a pipeline to carry fuel from Fairbanks to Kenai. As part of the preliminary design engineers required river crossing information for all streams that would be crossed by the proposed pipeline. Smaller streams were measured, profiled and cross sectioned using a tag line, waping rod and level to obtain information. Intermediate streams were cross-sectioned using an inflatable rubber raft with a 25' fiberglass rod for depth and position.The larger rivers such as the Susitna River were cross sectioned using a jet boat equipped with a Raytheon survey fathometer to determine river depth. The boats position as it ran from bank to bank; was obtained with a shore based total station shooting constant angles and distances to prisms mounted on the transducer.

TRANS-ALASKA GAS SYSTEM RIVER ENGINEERING, Statewide

The Trans-Alaska Gas System (TAGS) Pipeline crosses a variety of river and stream types from Prudhoe Bay to Valdez. River engineering considerations for buried pipeline crossings were just one aspect of a design study completed by PND. The information provided through this study was used during the pipeline route selection process, and subsequently in preparation of the Environmental Impact Statement. General criteria for design and construction of buried crossings on rivers and streams were identified with the benefit of PND's extensive experience in a wide range of settings--from small, deeply-incised streams, to wide, braided rivers. A classification system was developed based primarily on morphology and flow potential characteristics, since design criteria are strongly affected by these basic variables. River processes were outlined, with specific reference made to the effects and potential hazards of these processes on a buried pipeline crossing. The primary river processes included in the study area were river bed degradation, local scour, lateral channel migration, floodplain scour, river ice and aufeis effects, channelization of flow, sedimentation, and effects of nearby man-made structures. PND presented general criteria for design of river and stream crossings, including crossing location, alignment, burial elevation, determination of degradation and local scour, determination of the active floodplain, design flow considerations, and erosion control. Finally, recommendations for construction criteria were presented with special emphasis on techniques and procedures to minimize the short-term and long-term impact of construction on the existing natural river regime.

TERMINAL OIL SPILL RESPONSE FACILITIES PRELIMINARY MASTER PLAN, Valdez, AK

In June 1989, PND and its subconsultant, Kumin Associates, were retained to formulate a preliminary master plan for proposed oil spill response facilities at the Valdez Terminal. The purpose of this effort was to clarify issues and delineate critical decisions that must be made prior to starting more detailed planning, or preliminary design. The ensuing product would consist of conceptual building and harbor layouts, with order of magnitude cost estimates and appropriate narrative descriptions of planned facilities included as well. A series of interviews and meetings was held in Anchorage and Valdez in order to ascertain the needs of both management and operations personnel. During the course of these meetings, it was decided that separate facilities were needed for terminal-area spills and offshore spills. Following these initial discussions, a "Space Requirements Program" was developed to identify marine and building component spaces, and their individual needs, sizes and concerns. Concept designs for the support buildings were derived from this program. It was determined that the terminal response area would require upgrades to the existing small craft harbor; utilities extended to dock-side vessels; and a 26,418-square-foot response building which would accommodate warehouse, boat repair and clean-up facilities on the lower level, and communications/dispatch and administrative support on the upper level. The offshore response base would consist of a sheltered location for mooring barges and SERVS (Ship Escort Response Vessel System) craft; utilities extended to dock-side vessels; new uplands near Saw Island; a proposed Tug Operations Building; and a 36,682-square-foot response building with warehouse, equipment repair and clean-up facilities on the lower level, and communications/dispatch and administrative support on the upper level. The response buildings were proposed as steel-framed structures, with metal wall and roof panels. Existing utilities will be extended to the new buildings wherever possible. It was anticipated that the cost of the facilities would be in the $100 million range.

PRELIMINARY TANK FARM LAYOUT, Unalaska, AK

In 1986, PND conducted a study and prepared plans for development of an 800,000-gallon bulk fuel storage facility to be located behind the city dock in Dutch Harbor. The design involved positioning two 400,000-gallon tanks in a limited space between the dock and a steep mountainside. PND's solution minimized the need for rock excavation and incorporated vertical reinforced concrete containment dikes to minimize space requirements.

SERVS/VEOC CENTER, Valdez, AK

Subsequently, PND was design team leader for Alyeska's Ship Escort Response Vessel System/Valdez Emergency Operations Center (SERVS/VEOC) design/build project. The PND team consisted of civil,

structural, marine, architectural, mechanical, electrical and corrosion expertise. SERVS/VEOC is a 25,000-sq-ft facility on the Valdez waterfront, the first permanent home for SERVS since it began operation in 1989 following the Exxon Valdez oil spill. The project included offices, shop facilities, a training center, state-of-the-art communications, and agency offices for the Coast Guard and Alaska Department of Environmental Conservation. The marine component comprises a 200 ft-by-60 ft post-tensioned concrete floating dock, secured by 200-ft-long mooring dolphin systems constructed with 48" diameter piles and struts. The docking face is approximately 600 ft. The 4,000-ton dock, built in Washington, was towed by tug to Valdez. East mooring dolphin piles are anchored to shallow bedrock with 2 1/2-in-diameter threaded rod. West-side dolphins are conventional design spin-fin piles in alluvium soils. The dock and dolphins can easily handle two 400 ft-by-100 ft barges of equipment moored end-to-end along with other SERVS response craft. At each shoreside corner of the dock, steel and timber wave barriers were installed toward the beach to reduce wave action behind the dock. A concrete float system provides moorage for small craft. The dock face and mooring dolphins are fendered with high-energy rubber bumper systems. The dock itself is secured with fender units to allow soft breasting in all directions. The dock is equipped with electrical and water utilities along with two cranes. It is accessed by a 120-ft transfer bridge constructed of six girders and prestressed concrete panels. Both ends of the bridge float on slide bearings. The transfer bridge is connected to a 450-ft fixed platform trestle, supported at each bent by two 48" diameter piles. The prestressed concrete deck is supported and grouted to twin heavy steel girders between pile bents. Bent spacing is approximately 45 ft. The upland site is approximately 5 acres. Improvements included pavement, storm drainage, heliport, guard shacks, lighting, security fencing, a 100-ft communications tower, and emergency power generation. Ancillary work included a high capacity offshore mooring buoy and an oil boom protection system surrounding the local salmon hatchery. The project cost was estimated at $14 million in 1994. Site work included drainage design, paving, fencing, guard control buildings, utility connects to the City of Valdez, and a helipad.

MODULAR PROCESS BUILDINGS, Beluga, AK

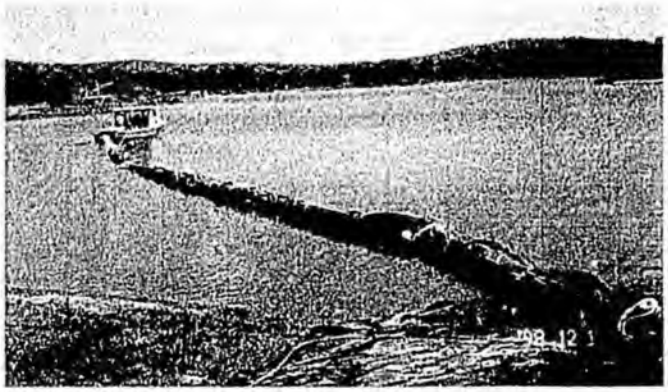
PND provided 1989 structural design services and construction administration for three modular process buildings located in the Beluga-area oil and gas fields. This vicinity is coastal, and is therefore subject to high winds, heavy snow loads, and a harsh marine environment. The modules, the largest of which was 70 tons, were shop-constructed, with all mechanical and electrical equipment-in-place. Due to this, they could be barged to the project site and connected with a minimum of field labor. All modules were permanently mounted on steel skids, and were designed to be either dragged from the barge landing, or picked by a crane and placed on flatbed truck for transport. The completed structures were pile-supported, allowing for erection over marginal subsurface soils and for easy reuse of the buildings at other locations. Design was completed in less than four weeks from receipt of the client's Notice to Proceed.

VALDEZ MARINE TERMINAL FIELD SUPPORT, Valdez, AK

PND provided civil/structural field engineering services during construction of approximately $40 million worth of capital and expenses projects at the Valdez Marine Terminal. These projects included construction, renovation, and inspection of crude oil, ballast water, fire water, and waste piping systems; structural modifications and additions to four marine tanker berths; installation of offshore remote mooring facilities for oil spill response vessels; construction of an onshore oil spill response base by constructing new office facilities, and modification and renovation of an existing dock and warehouse.

GUNDERBOOM AND SANSORB INVENTION AND USES

Over the years, PND has provided environmental engineering services to a variety of clients. Our extensive, hands-on field experience has been critical to the success of numerous projects, and has allowed us to develop systems that are carefully engineered to satisfy site-specific requirements. One such system, the "Gunderboom," is a waterborne pollutant and debris barrier system. Many shoreline construction projects involving fill, dredging, and underwater blasting have been granted permits because of the reliability of the "Gunderboom" at halting the spread of materials produced by these operations. The "Gunderboom" has also proven highly efficient at containment of petroleum spills, and as such was used extensively in the aftermath of 1989's Exxon "Valdez" catastrophe. Permanent booms are now in-place to protect environmentally



sensitive areas from all kinds of pollutants, ranging from medical waste to fecal bacteria, and additional applications for the boom are continually being explored. PND provided environmental engineering services and applied research to a unique petroleum-based absorbent material used for removing spilled oil, grease, and chemicals. The non-toxic, non-hazardous, and biodegradable plastic material was invented in Finland in the 1980's; however, with our applied engineering research many practical applications of the material were developed. "Sansorb" rapidly absorbs liquids lighter than water by capillary action, depending on minute pressure differences at either end of micron-sized tubes, and the phenomena of surface tension. Sansorb also floats indefinitely. "Xemsorb," also utilizing capillary action, absorbs most liquids, including water and heavier liquids. Once absorbed, the liquid, and even some of the associated gasses, are neutralized, because they are in effect "locked" into the plastic granulates. The two products create an opportunity to pick up nearly all liquids, with the exception of strong organic acids that deteriorate the physical structure of the absorbents. It is not harmful to most natural environments.

VALDEZ OIL CONTAINMENT CLEANUP, Valdez, AK

For a 10-week period during 1989, PND served as engineering manager to Veco, Inc., the prime contractor overseeing clean-up operations associated with the Exxon "Valdez" spill. PND provided 15,000 linear feet of Gunderboom, and staff support also included supervising boom deployment operations; participating in assessment of beach conditions; and assisting in coordination of contingency equipment mobilization.

VALDEZ BOAT LAUNCH & RAMP

The City of Valdez contracted PND in 1996 to provide design and construction management services for the replacement of the existing boat launch ramp floats and related improvements at the City's small boat harbor. The project consisted of replacing the dilapidated precast concrete floats with modern timber floats, installing cast-in-place underwater concrete, earthwork and rip rap slope protection. The timber floats were unique in that they were required to fit around existing driven piles. A high strength hinged gate was designed to allow the floats to be easily installed and removed at a later date if required. The floats utilized timber glu-lam beams with sawn cross-members and timber decking. All structural hinges and connecting members were galvanized steel. Foam billets with a long lasting polyurethane coating provided floatation. UHMW PE rub strips were used to protect the dock and boats from damage. Cast-in-place concrete was installed on the ramp underneath the float to provide impact resistance and prevent erosion. Much of the concrete placement was successfully installed underwater using a modified mix design. This project was a great success and has proven to be a good investment for the busy Valdez small boat harbor.

VALDEZ COMMERCIAL BOAT HARBOR EXPANSION

Accomplished in four phases, modifications to the Valdez Harbor consisted of renovation and expansion efforts which focused on increasing berthing capacity, storage space, and waterfront acreage. PND first conducted a feasibility study and needs assessment to determine the expansion requirements of the harbor over the next ten years, as well as an approach for implementing these goals. The study identified user groups, the type of facilities which would best serve future requirements, and the physical requirements of the present harbor which would require modification in order to meet projections. Work also included assistance in permitting, soils investigation, and topographic and bathymetric surveys. A five-year capital improvement plan was developed and prioritized for projects based on overall cost and importance to the harbor expansion project.

During Phase I, the existing basin was enlarged and the dredge spoil placed within a riprapped containment dike. By recycling the fill in this manner, approximately 15 acres of new staging area was created to accommodate projected industrial growth and storage of commercial fishing gear. Shoals and other navigational hazards were removed, and the entrance channel was widened and protected from erosion with rock revetment, as part of Phase II. Also as part of this phase, the southern slopes of the inner harbor were protected with a layer of shot rock riprap. In Phase III, a concrete float moorage system was installed in the basin excavated within Phase I. Phase IV work encompassed removing an existing boat-launch ramp, courtesy float, floating fuel dock, and timber float system. These items were replaced with a new 500-linear-foot open-cell sheet pile bulkhead and a new boat-launch ramp, a modern 12- x 75-foot floating fuel dock, and a high-capacity concrete float system capable of mooring 110-foot tour ships. Also included in this phase were design of a new fuel system, a high-mast lighting system, potable water and fire-protection systems, dock-side electrical service, and shore-side landscaping.
Total construction costs were approximately $12 million, and the project was completed in 1987.

VALDEZ MARINE TERMINAL PROJECTS

PND furnished a field engineering supervisor to Alyeska to oversee an on-site staff of discipline field engineers during construction of over $30 million worth of capital and expense projects. These various projects are being constructed on the Valdez Marine Terminal at the south end of the Trans-Alaska Pipeline. Projects include recoating of tanker loading berths; upgrading terminal-wide cathodic protection systems; inspection, renovation, and repair of ballast water piping from the berths; relocation and functional check-out of hydraulic gangway systems; renovation and repair of berth fendering and catwalk systems; inspection and repair of terminal fire water piping systems; renovations of existing oily-water sewer manholes and sumps; repair and replacement of crude oil tank farm dike liners; construction of new underground concrete vaults for piping access; and construction of new piping systems for inhibitor injection and tank deluge operations.

VALDEZ HARBOR PEDESTRIAN PLAZA, MARINA AND ACCESS

The City of Valdez retained PND to create an uplands pedestrian plaza and vehicular parking area and marina floats with gangway access. An open cell sheet pile bulkhead filled with harbor dredge spoils was constructed that expanded the uplands area adjacent to the harbor. A concrete plaza was constructed with a timber boardwalk along the perimeter of the bulkhead. The boardwalk has been described as a scenic attraction for the harbor, and has resulted in increased foot traffic in the area. Concrete floats and an aluminum truss gangway all combine with the plaza for integral pedestrian amenities.

PIPELINE BRIDGE INSPECTION / INVENTORY

PND was chosen by Alyeska Pipeline Service Company (APSC) to provide engineering services for bridge and marine work in an alliance of specialty companies for service of the Trans-Alaska Pipeline (TAPS). In 1994, the Alliance asked PND for assistance in evaluating 46 of its access road and workpad bridges. Many of the bridges were built as temporary bridges during TAPS construction in the 1970s for access to the pipeline from the main haul road. Many of the bridges were aging and APSC needed to assess some of the bridges for providing continued access. PND initially prepared a report (Phase I) based upon a search of existing structural, hydraulic and hydrologic information to determine what information was available and what additional information was needed to properly evaluate the bridges. PND then prepared a second report (Phase II) that provided assessment of the structural, hydraulic, and hydrologic conditions. This information was intended to assist APSC in determining priority of maintenance, repair, replacement, or removal. PND provided estimated wheel, axle and gross vehicle capacities for superstructures based on the information available. Qualitative assessment of the substructures were made as information on substructures was typically scant. Types of bridges included: Acrow (19), Bailey (1), timber (5), GLB (6), and steel stringer (15). Seven bridges were multi-span bridges. All of the bridges were analyzed according AASHTO prescribed loads and materials. The multi-span bridges were analyzed for seismic loads using both pseudo-static and 3-d dynamic Finite Element Analysis. Ice loads were investigated on piers subjected to ice loads using TAPS and AASHTO criteria. The steel bridges were also investigated for Fracture Critical Members utilizing AASHTO

and FHWA recommendations. PND made additional recommendations and observation for: upgrading, improved operation and maintenance, weak-link elements that could easily be repaired or replaced, etc. PND also performed hydrologic analyses on a number of bridges where existing information was inadequate or contradictory. Hydraulic analyses were performed to determine the 50-year flood water surface elevation for a number of bridges. Additional recommendations where made regarding scour and erosion protection.

COMMERCIAL FISHERMEN'S DOCK

Valdez Fishermen's Dock was designed as a multipurpose commercial dock with fixed cranes and a boat grid. Constructed using open cells for fill containment of both the boat grid and dock portion, this project was both economical and has functioned without significant maintenance.

SPILL CLEAN-UP CAMP MOBILIZATION

In the early stages of 1989's Exxon "Valdez" clean-up campaign, PND personnel provided site reconnaissance and civil engineering services to locate and plan for field housing facilities, including coordinating the logistics associated with transshipping self-contained mobile housing units. Due to the urgency associated with this effort, we were granted 24-hour access to helicopter support and were therefore able to rapidly complete necessary field work.

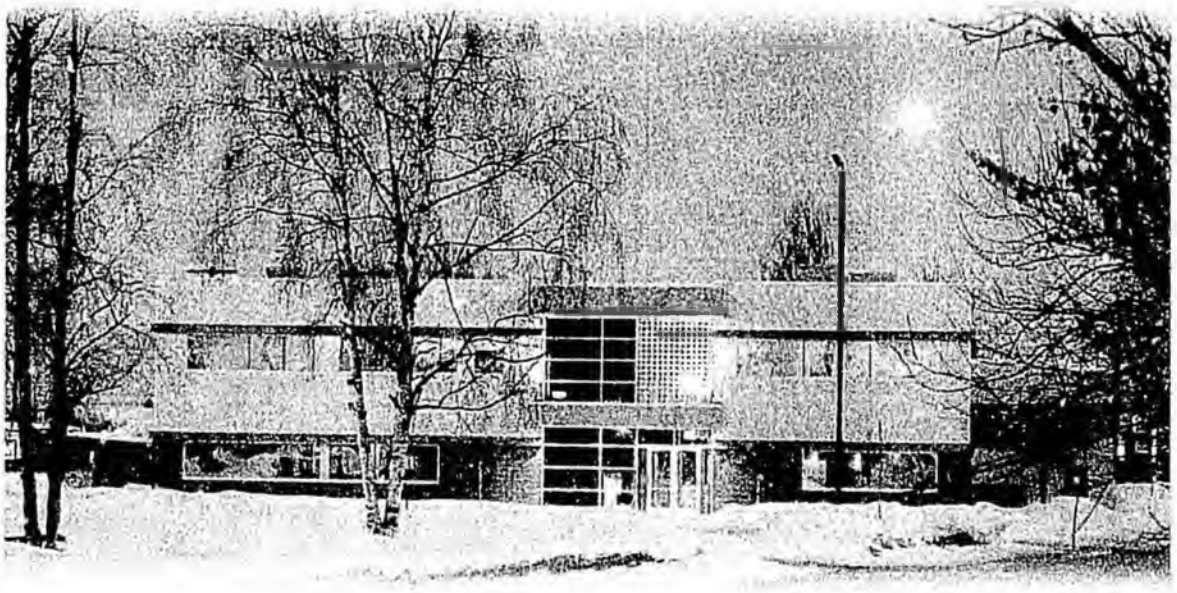
VALDEZ HARBOR IMPROVEMENTS

Upon completing a Master Plan for the Valdez Harbor in 2000, PND was contracted by the City of Valdez to provide survey, geotechnical, environmental, design, and construction administration services for an upland portion of the harbor. Improvements included 5 acres of paved parking, boat storage areas, and boat wash down and maintenance stations. The boat washdown and maintenance stations are unique in that each concrete surfaced pad has service pits, which provide the user with both water and electricity to service boats up to 60-feet in length. Due to Valdez being an environmentally sensitive locale, federal and state permitting was considered and coordinated throughout the design process. Construction for the improvements, which increased upland capacity by 130 %, was completed in 2002.

OTHER VALDEZ-AREA PROJECTS

1997 Pallet Rack Seismic Review
Allison Point Recreational Facility Improvements
Analysis of VMT Berths 4 & 5 for Maximum Tanker Load
APSC Boom Pads
APSC Small Boat Float System
APSC Vapor Recovery Slabs
As-Built Drafting
Boat Grid Repair
Container Dock Inspection
Container Dock Maintenance
Corp Permit Modification
D&E Bulkhead Alternatives
Dock Layout
Dock Point Marine Recreation Facility Development
Fill Dike
Fisherman's Dock Phase IV
Float Permit Modification
Floating Fish Rearing Pen Design
Gangway Damage Assessment
Harbor Inspection
Hartech Bathymetry
Landfill Litigation
Lowe River Bridge
Marine Slope Modification
Museum Expansion Review
Oil-Water Separator Cofferdam
Old City Dock Fender System
Old City Dock Repairs
Old City Dock Repairs Inspection
Old Town Harbor Site
Peter Pan Dock Inspection
Peter Pan Float Permit Modifications
Port Etches
Port Valdez Mooring Buoy No. 2
Port Valdez Test Holes
S/V Fender Review
Saw Island Mooring Buoy Locate Petro Star VPT Dock

SERVS (Tesoro) Dock/Valdez Insp.
SERVS Buoy Modification
SERVS Dock Electric Capston
SERVS Fender Modifications
SERVS Port Valdez Mooring
SERVS Prince William Sound Docks Old City Dock Fender System
SERVS Warehouse Inspection
Solomon Gulch & Mooring Buoy #2 As-built
Solomon Gulch Fish Hatchery Modifications
Solomon Gulch Fish Hatchery Protection
Solomon Gulch Fish Hatchery Protection
South Harbor Drive Realignment
Taylor Rigging Berth 4 & 5 Dock Analysis and Drawings
Teen Center Structural Design
Tesoro Dock Inspection
Tesoro Dock Inspection & Building
Tug / Barge / Mooring Facility
Valdez Boat Grid Alternatives
Valdez Boat Grid Study
Valdez Boat Harbor
Valdez City Dock Inspection
Valdez Community Dock
Valdez Container Terminal Annual Inspection
Valdez Crude Oil Terminal
Valdez Dock Refendering
Valdez Dock Spec Review
Valdez Dry Dock
Valdez Engineer Loan - BD
Valdez Fisheries Buoy Survey
Valdez Fisheries Warehouse
Valdez Float Inspection
Valdez Fuel Dock
Valdez Gangway and Dock Shelter
Valdez Gangway Retrofits
Valdez Glacier Creek Bypass Permits
Valdez Harbor ADA Access
Valdez Harbor Cost Review
Valdez Harbor Feasibility Study
Valdez Harbor Mobile Pumpout
Valdez Harbor Planning
Valdez Harbor Sewer Pumpout
Valdez High School Avalanche Risk Assessment
Valdez High School Pool Addition
Valdez Old City Dock Master Plan
Valdez Pipe Fish Pass
Valdez Port Expansion
Valdez Private Harbor with Launch Ramp and Float
Valdez Small Boat Harbor - Master Plan
Valdez Small Boat Harbor Study
Valdez Street Maintenance
Valdez Trail Bridge Study
VCT Inspection
VEFA Onshore Rearing Facility
VFDA Wildlife Rehabilitation Center
VFT Dock As-Builts & Bathymetry
VPT Catwalks
VPT Deck Loan Analysis
VPT Dock Repair
Waterkist Building Evaluation
Waterkist/Nautilus Foods Building Expansion Project



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Benefit Analysis for the Alaska Natural Gas Development Authority Project

A Proposal

Prepared for

Alaska Natural Gas Development Authority

September 2003

Prepared by

northerneconomics inc.

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Contents

1 Introduction and Background

The Alaska Natural Gas Development Authority (ANGDA) was created by a vote of the people of Alaska in the November 2002 general election. The Authority has broad powers to:

- Acquire, condition, transport, and market North Slope natural gas
- Construct, operate and maintain a natural gas pipeline
- Buy property or use eminent domain
- Issue state tax-exempt revenue bonds

The gasline route would be from Prudhoe Bay to tidewater on Prince William Sound with a spur line from Glennallen to the Southcentral gas distribution grid. The project concept includes a liquefied natural gas (LNG) plant in Prince William Sound with leased tankers transporting the LNG to U.S. West Coast markets or the Pacific Rim..

The U.S. market is particularly dynamic at this time as North American gas supply is unable to expand at a rate sufficient to meet the growing demand for natural gas. Since Alaska has an advantage over other global LNG suppliers in shipping cost to U.S. West Coast markets, this market is of particular interest to the Authority.

The LNG concept has been evaluated over a number of years and is relatively well-defined as a result of efforts by Yukon Pacific, ConocoPhillips, and others. To date, the project as defined offers marginal economics for producers and, as a result, has not advanced beyond the study phase. However, the ANGDA has the ability to issue tax-free revenue bonds, which improves the project economics and reduces the cost of service for LNG delivered to U.S. West Coast markets. At this concept level of analysis, the tax advantages of the ANGDA project make it very competitive in the marketplace, and suggest that further efforts should be undertaken to move the project forward.

In addition to the major export component of the project for LNG, natural gas liquids (NGL), and petrochemicals, ANGDA also anticipates development of other facilities to ensure maximum benefits are derived from the project. These other components include:

- CO_2 removal for enhanced oil recovery
- Discovery and development of new fields
- Development of Pt. Thompson
- Natural gas-fired electric power plants with transmission lines to interior and river communities

- Local gas distribution in Fairbanks
- Liquid propane gas (LPG) barged to river and Southeast Alaska communities, and trucked to smaller interior communities
- A smaller capacity "spur" line to the Southcentral gas distribution system, augmenting Cook Inlet gas supplies and providing gas for heating, electric power, and the petrochemical and LNG facilities at Nikiski

As part of the next steps in the evaluation process, the ANGDA will be asking the Alaska legislature to fund significant engineering and design efforts beginning in early 2004. Prior to that time, the Authority will be developing the materials necessary to support that request. Part of the development effort entails identification of the benefits of the project concept, including all of the various components. The Authority has asked Northern Economics to prepare a proposal describing the work to be done in identifying the benefits of the various components, as well as other benefits that may be created as a result of the project, and a cost for completing this work by the end of 2003.

The following sections describe the work to be done based on our current understanding of the project and a cost estimate for completing the work.

2 Approach

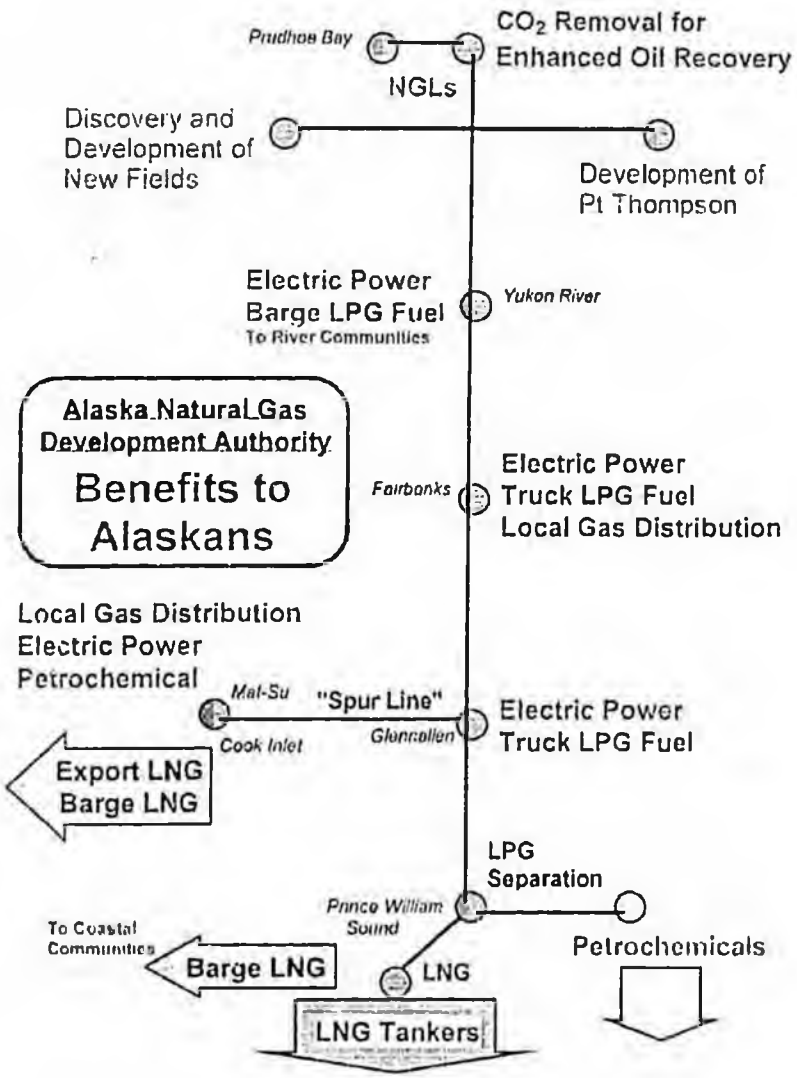
The general approach is to develop information necessary for analysis of each of the project components and then undertake the analytical steps of quantifying the economic benefits, fiscal benefits, and other benefits such as cost savings, and additional production from new fields or enhanced oil recovery. The following sections provide more detail on these tasks.

2.1 Develop Project Component Information

The first task in the approach will be to obtain and review previous studies and reports, including those prepared by Northern Economics, Inc., for each component identified in the project concept (See Figure 1). We will also identify proprietary studies that others or we have completed which may be useful for the ANGDA project, and a person the ANGDA may contact to see if the results or output of this prior work can be made available. We assume that each of the project components will be described earlier in the report as part of the project description. However, the descriptions in earlier sections of the report may not contain some of the information necessary for the benefit analyses. We will prepare a summary that provides the economic and financial information

for each component that is necessary for our analyses. Where such information is not available from previous reports we will develop assumptions based on our professional judgment and telephone conversations or interviews with members of the ANGDA project team, and industry experts. Where data need to be updated we will describe the methods or assumptions used to update the information. In addition to information for each component we will also evaluate the ability of the state labor force to provide the number of persons needed in major occupational skill categories. We will work closely with the Alaska Department of Labor and Workforce Development to incorporate their recent work on the pipeline proposal by the AGPPT.

Figure 1. ANGDA Project Concept



All of this information will be incorporated into a technical memorandum and submitted to the ANGDA for review and comment to ensure consistency between our work and those of other team members. **Our schedule for delivering this technical memorandum would be 4 weeks after receiving a notice-to-proceed.**

2.2 Analytical Approaches

The analytical approaches outlined in this section will quantify the benefits to Alaska resulting from the ANGDA project concept. The benefits to "Alaska" include those accruing to the State of Alaska, other local governments, State residents, and businesses operating in the state. These benefits will be quantified using the following categories:

- **Economic Benefits.** Construction and operation of the different components of the project concept will result in additional employment, labor income, increased economic output (sales), and increases in gross state product.
- **Fiscal Benefits.** The state and local governments will receive revenues from production of the natural gas, property taxes, and other sources related to the project development and operation. Subsequent spending of these revenues by the government sector and households will result in additional employment, labor income, increased economic output (sales), and increases in gross state product.
- **Other Project-Related Benefits.** This category involves evaluating additional benefits associated with cost savings to consumers, additional production from new fields or enhanced oil recovery, maintenance or expansion of the petrochemical and LNG facilities on the Kenai Peninsula, and similar factors. The following subsections provide further detail on each major benefit category.

2.2.1 Economic Benefits

The approach used for this subsection identifies the direct, indirect, and induced effects associated with construction and operation of the project concept. Indirect and induced effects are often called secondary or multiplier effects and the latter two terms are used interchangeably in the following discussion to reference indirect and induced effects.[1] The multiplier effects will be developed using

[1] Indirect effects are the result of additional spending by businesses associated with the ANGDA project (for example, construction companies building the natural gas pipeline), and induced effects are the result of spending by governments, and households whose members are employed as a result of the project.

input-output analysis, specifically the IMPLAN software maintained by the Minnesota IMPLAN Group. Northern Economics routinely uses this software for major project analysis, including work for the Alaska Gas Producers Pipeline Team, Foothills Pipeline Company, Anadarko Petroleum Corporation, and others.

The following matrix depicts the items that will be evaluated for construction and operation of each component of the project concept. The estimates in the shaded cell will depict the effects at the state level (e.g., 1000 direct jobs in the State of Alaska and 800 secondary jobs in the state with a total of 1800 jobs created by each project component). The sum of this information for all project components would provide the total statewide estimates for employment and the other items.

Figure 2. Effects Matrix

Effects	Employment	Labor Income	Output (Sales)	Gross Regional Product
Construction Period				
Direct	1000			
Secondary	800			
Total	1800			
Operations Period				
Direct				
Secondary				
Total				

In order to estimate these benefits with the IMPLAN model it is necessary to have information on the amount that is spent for the primary expenditure categories of each component. This would entail the percent or amount for labor, equipment, right-of-way, and similar factors. If this type of information is not available, expert opinions will be solicited and assumptions will be developed to fill the gaps.

2.2.2 Fiscal Benefits

We understand that the Alaska Department of Revenue and other state agencies will be involved in developing revenue estimates associated with the project concept. To develop the fiscal benefits we will need revenue estimates (direct effects) accruing to the State of Alaska (including distribution among the Permanent Fund, the state general fund, education and other programs), and property taxes and other revenues accruing to each local government where project facilities would be located. The local governments would include the North Slope Borough, the Fairbanks North Star Borough, the City of Valdez, and other communities with taxing authority.

Based on this information, we will use the IMPLAN input-output model to estimate the secondary effects at the state level, including the subsequent spending by government entities, and spending of Permanent Fund Dividend checks. The output of this model will be a data set comparable to that shown in the previous matrix for the State government, and each taxing authority.

2.2.3 Other Project-Related Benefits

The availability of a natural gas pipeline project to transport North Slope natural gas to market will result in a number of other benefits that are not captured in the previous two benefit categories. These benefits cover a wide range of activities including:

- The joint production of oil and gas from existing fields which reduces the costs that must be covered by oil production, resulting in additional oil production from these fields
- Improving the viability of yet-to-be-discovered fields that would be uneconomic if joint production were not possible
- The use of CO_2 removed from the natural gas for enhanced oil recovery in existing and yet-to-be discovered fields
- The development of the Pt. Thompson field that is currently struggling to achieve viability because of the high cost required to reinject the produced gas into the reservoir at very high pressures; a natural gas pipeline would reduce the need to reinject this gas production into the reservoir
- Cost savings to residents and business in communities where the availability of North Slope natural gas-fired electric power plants could result in lower electricity prices;[2] concomitantly, a reduction in power cost equalization payments by the State for subsidizing electric power rates in rural communities
- The cost savings to Southcentral Alaska consumers when the cost of service for delivered gas through the ANGDA project would be less than the Henry Hub price that will be required in the future under existing contracts
- Cost savings to residents and businesses in communities where natural gas would be available through local (piped) gas distribution or trucked/barged LPG for heating at costs less than anticipated Henry Hub prices or diesel fuel
- The maintenance or expansion of the existing petrochemical and LNG facilities in Nikiski in the event that Cook Inlet gas supplies are insufficient to maintain the facilities or, with the

[2] The lower electricity prices could result from larger gas-fired power plants and transmission of that electricity to individual communities.

availability of North Slope natural gas, to expand the facilities with associated employment and local tax increases

A substantial amount of these benefits have been addressed in previous studies. However, there are some potential benefits that have not been thoroughly addressed. For example, some previous reports have suggested that the proximity of a natural gas pipeline through certain portions of highly mineralized zones will transform the viability of some mining projects by providing lower cost energy to the mine sites and thus creating greater employment estimates and revenues to the state and other entities. We will investigate this concept further and include the benefits of this and other developments that could occur with implementation of the ANGDA project.

Where appropriate, the IMPLAN model will be used to estimate the secondary effects associated with these other benefits. Some benefits, for example, household cost savings may not have secondary effects since the household would be expected to spend the savings on other goods or services with limited effect on the overall economy. In other cases, inclusion of potential benefits may result in double counting. The output would be a dataset comparable to the previous matrix. Where such benefits cannot be added to the previous data because of the issues noted above they will still be identified and reported.

2.2.4 Total Benefits

This section of the report will present the benefits associated with each major component, and sum and report the total benefits associated with construction and operation of the ANGDA project.

2.2.5 Report Preparation and Schedule

To ensure efficient use of our limited time in writing the report, we will submit an electronic version of a detailed draft report outline to ANGDA by November 3, 2003 for review and comment. This submittal date assumes a notice-to-proceed is issued by September 29, 2003. This outline will identify each section and subsection of the report, stating the topics to be addressed in the section or subsection, and the purpose for each section or subsection. Each table and figure will be identified with the table or figure number and caption included in each section. An electronic version of the draft report will be presented to the ANGDA by December 15, 2003, again assuming a start date of not later than September 29, 2003. We will provide an electronic copy of the final report within 5 working days of receiving the comments.

3 Price of Services

The estimated hours and price by major task is presented in the following table. The table summarizes the anticipated time requirements for assessing each of the project components. Northern Economics presents this estimated budget with the understanding that it is open to negotiation to best suit the Authority's needs.

Table 1. Project Budget

	Staff Members					
Task	Burden	Cuyno	Kirac	Porteen	Staff	Total
1. Obtain/Develop Project Component Information						
Hours	72	0	32	144	16	264
Labor budget ($)	11,520	0	3,520	10,800	960	26,800
2. Economic Benefits						
Hours	24	264	12	80	0	380
Labor budget ($)	3,840	26,400	1,320	6,000	0	37,560
3. Fiscal Benefits						
Hours	8	104	0	0	0	112
Labor budget ($)	1,280	10,400	-	-	-	11,680
4. Other Project-related						
Hours	98	64	24	92	0	278
Labor budget ($)	15,680	6,400	2,640	6,900	-	31,620
5. Sum to Total Benefits						
Hours	2	0	0	16	0	18
Labor budget ($)	320	-	-	1,200	-	1,520
6. Report Preparation						
Hours	80	68	60	168	52	428
Labor budget ($)	12,800	6,800	6,600	12,600	3,120	41,920
Total Labor Hours	284	500	128	500	68	1,480
Total Labor Budget ($)	45,440	50,000	4,080	37,500	4,080	151,100
Expenses (copies and misc.)						500
Total estimated project						**151,600**

September 8, 2003

Preliminary Scope of Work -- Alaska Natural Gas Development Authority

[This preliminary scope and order-of-magnitude cost estimate is not intended as a binding bid, nor is it to be construed as any representation of work that will be performed by Wood Mackenzie at the costs specified. **This document is for discussion purposes only.** The commencement and performance of work will be governed by a formalized scope and agreement to be executed by the parties ANGDA and Wood Mackenzie.]

Wood Mackenzie has a proven track record in global energy project evaluation. Our industry knowledge and insights combined with a foundation of proprietary data has enabled Wood Mackenzie to assist global energy companies and governments in developing LNG and marketing strategies.

Project elements proposed by ANGDA : Gas treatment, 800 mile 36 inch pipeline, Liquefaction Train(s), Marine terminal, Shipping.

Project elements for initial evaluation:

- Infrastructure
  - Benchmark Cost Assumptions for each segment of the project by region and by complexity, using WM Proprietary Economic Model, against other Existing LNG Projects (eg. ALNG, NLNG, ENLG) and Proposed Projects (eg. Sakhalin, Gorgon, Pacific LNG, Camisea LNG) check costs correspond to industry norms
- Competition
  - Using WM Proprietary database Evaluate ANGDA Competitive Position to Other Pacific Basin Supplies Existing, Expansions, New Entrants (eg. Lumut, Bintulu, Bontang, Tangguh, Gorgon, N.W. Shelf, Qatar, Oman, Iran, Pacific LNG, Camisea LNG)
  - Provide Cost Stack for Each Project vs. ANGDA

With a commencement date of October 1, 2003, our target date for completion of the work outlined is December 31, 2003. The Wood Mackenzie team will consist of senior staff and associates, drawing upon a foundation of knowledge and experience, together with additional contributions as needed from other Wood Mackenzie staff that will support and contribute in developing analyses and review of certain project tasks.

- Wood Mackenzie North American InSight Service
  - One Year License Agreement for service is $25,000 US

Estimated Cost:

Our initial estimate of cost for Wood Mackenzie to complete the work, excluding North American Insight service, outlined, herein is $75,000 to $120,000.

ALASKA NATURAL GAS AUTHORITY
PROJECT SYNOPSIS

GAS TREATMENT

Natural gas will be treated at the producer's Gas Treatment plant in the Prudhoe Bay field. Treatment involves separation of the CO2 for enhanced oil recovery. The resultant gas is chilled and pressurized for shipment through the natural gas line.

PIPELINES

The Alaska Natural Gas Authority will support the producer-led highway pipeline as far as some location in the Fairbanks/Delta area where the producer line will follow the Alcan Highway and the ANGDA pipeline will continue along the TAPS route to Valdez.

The Authority expects to contribute financial support proportional to the portion of the highway mainline it wants to utilize.

Branch-offs at the Yukon River will provide energy for natural gas-fired electric power plants with transmission lines to interior and river communities.

There will be a branch-off spur line from Glennallen to Anchorage to bring gas to the Anchorage domestic market and provide feedstock for the Kenai industrial users. Gas will be treated at a location to be determined for sales into the existing South Central domestic market.

LNG PLANT

The pipeline will terminate at an LNG plant located in Valdez. The plant will separate LPGs for petro-chemicals and provide storage of LNG until shipment in leased tankers to west coast markets or the Pacific Rim. LNG or propane will also be shipped in barges and distributed to coastal communities on the west coast of Alaska.

MARINE

Previous studies have located the LNG plant at Anderson Bay about 5 miles west of the TAPS Marine Terminal. The conceptual study will investigate locating the LNG plant near Old Valdez. The plant will be fabricated on barges at existing Cook Inlet fabrication facilities as a way to increase Alaska hire, barged to Valdez and permanently moored.

LNG MARINE TERMINAL
- Including DOCKS -

- Review and Analyze YPC Concepts
- Review and Analyze ANGPA Concepts
- Develop System Alternatives and Innovations

Anderson Bay
Old Town Site

- Physical Location Comparisons

Site Investigation	Uplands Survey
Design Criteria	Marine Terminal Review
Offshore Bathymetry	Borehole Review

- Foundation Alternatives with Seismic Design Resolution

Earth and Rock
Modularization
Barge Mounted Option

- Foundation Cost Estimate Comparisons and Site Layout

Anderson Bay
Old Town Site

- Preliminary Construction Schedule
- Identify Permitting Concerns and Risks
- Identify Long Lead Item Procurement
- Final Report

LNG PLANT AND CRYROGENIC STORAGE

- Review and Analyze YPC Concepts
- Review and Analyze ANGPA Concepts
- Develop System Alternatives and Innovations

Security	Communication Requirements
Assess modularization, components and siting	Proximity to Alyeska
SCADA (Conceptual Control System)	Barge Mounted with Cook Inlet Fabrication

- Provide summary of Major Compression, Drivers and a description of all systems
- Block Flow Diagram
- Process Flow Diagrams of LNG Plant, Storage Tankage, Power Generation
- Export Gas QC Recommendation
- Preliminary Module Layouts
- Preliminary Electrical Power, Compression horsepower and fuel gas consumption estimates for conversion of gas to LNG
- Preliminary Capital Cost Construction Estimate (CAPEX)
- Preliminary Construction Schedule
- Preliminary Operations Estimate (OPEX)
- Identify Permitting Concerns and Risks
- Identify Long Lead Item Procurement
- Final Report

PIPELINE AND COMPRESSOR STATIONS

- Emphasis on SPUR LINE -

- Review and Analyze YPC Concepts
- Review and Analyze ANGPA Concepts
- Develop System Alternatives and Innovations

Communications	Assess Modularization
Automatic vs Manned Compressor Stations	Proximity to Alyeska
Security	SCADA Review
Shared Services Potential	Non-Workpad Option

- Expand Information RE: Glenallen to Anchorage SPUR LINE

ENSTAR Deliverables	Soil Characteristics
Determine Line size	Land Ownership
Topographic Review	Economic Evaluation

- Block Flow Diagrams
- Process Flow Diagrams of Typical Compressor Station
- Pipeline Profiles
- Preliminary Compressor Station horsepower and fuel gas consumption estimates
- Preliminary Capital Cost Construction Estimate (CAPEX)
- Preliminary Construction Schedule
- Preliminary Operations Estimate (OPEX)
- Identify Permitting Concerns and Risks
- Identify Long Lead Item Procurement
- Final Report

IN-STATE USES AND BENEFIT ANALYSIS

- In-State Demand
- Economic Impacts
- Community Multipliers
- Life Cycle Evaluation
- Benefits to the State
    - Revenues to the State
    - Revenues to the Local Government
    - Construction Employment
    - Operating and Maintenance Jobs
    - Energy Costs and Availability
    - Economic Growth
    - New Business Creation

MARKETING / COMPETITOR ANALYSIS

- Outside Validation that We Do Have a Project
- Board Interaction with Customers
- Travel and Hosting

SPECIALIZED LEGAL OPINIONS

- Jones Act
- Tax Free Status
  - Obtain IRS Ruling
- Alaska Rail Road Bonds
  - Ability to Issue Tax Free Bonds
- Export Permit

STAFF AND ADMINISTRATIVE

- Salaries and Overhead
- In-House Expertise and Contractor Coordination
- Board Meetings
- Donated In-Kind Services
- Travel
- Miscellaneous

ALASKA NATURAL GAS DEVELOPMENT AUTHORITY
411 West 4th Avenue
Anchorage, AK 99501
Tel: (907) 257-1347

Mr. Ward Whitmore, Director of Project Development
Yukon Pacific Corporation
1400 W. Benson Blvd, Suite 525
Anchorage, AK 99503

September 2, 2003

SUBJECT: Conceptual Study Alaska Gas Line Project

Dear Mr. Whitmore:

We are in the process of developing a conceptual study for the Alaska Gas Line Project which includes the Gas Treatment Plant at Prudhoe Bay, an 800-mile high pressure gas pipeline from Prudhoe to Valdez, a spur line from Glennallen to Anchorage, and the LNG plant at Valdez. The purpose of the study is to identify the costs and schedule, and the benefits to Alaska in developing the project.

Yukon Pacific Corporation has already completed cost estimates, construction schedules and has developed a project execution plan for the project. Rather than duplicate this work, ANGDA is requesting permission to use the YPC study as a baseline from which the costs and economics can be reviewed. ANGDA will update where necessary and those areas warranting additional study will be identified and developed.

We understand that you are willing to make your studies available to our study team under the following conditions:

1. Elements of the YPC study will be clearly identified. Any work performed by the ANGDA will be separated from the YPC work to ensure that the YPC work is not co-mingled .
2. YPC will make available in electronic form summaries of the cost studies, economic studies and material balances.
3. Hard copy volumes of the YPC study can be inspected at the YPC Anchorage offices but photocopying any pieces of the study will not be allowed.

We anticipate that the study will start in early September 2003 and be completed by early January 2004.

We appreciate your willingness to assist us in the conceptual study and ask your confirmation with these conditions.

Sincerely,

Harold C. Heinze
Chief Executive Officer

ALASKA NATURAL GAS DEVELOPMENT AUTHORITY
411 West 4th Avenue
Anchorage, AK 99501
Tel: (907) 257-1347

Mr. William M. Walker, Attorney at Law
Walker & Leveque LLC
731 N Street
Anchorage, AK 99501

September 2, 2003

SUBJECT: Conceptual Study Alaska Gas Line Project

Dear Mr. Walker:

We are in the process of developing a conceptual study for the Alaska Gas Line Project which includes the Gas Treatment Plant at Prudhoe Bay, an 800-mile high pressure gas pipeline from Prudhoe to Valdez, a spur line from Glennallen to Anchorage, and the LNG plant at Valdez. The purpose of the study is to identify the costs and schedule, and the benefits to Alaska in developing the project.

The Alaska Gasline Port Authority has already completed cost estimates, construction schedules and has developed a project execution plan for the project. Rather than duplicate this work, ANGDA is requesting permission to use the AGPA studies as a baseline from which the costs and economics can be reviewed. ANGDA will update where necessary and those areas warranting additional study will be identified and developed.

We understand that you are willing to make your studies available to our study team. You also mentioned that you would make arrangements for the Bechtel project manager to make a presentation on the cost and schedules prepared by Bechtel. We suggest that a convenient time for this presentation would be sometime in September.

We anticipate that the study will start in early September 2003 and be completed by early January 2004.

We appreciate your willingness to assist us in the conceptual study and we will keep you informed of our activities.

Sincerely,

Harold C Heinze

Harold C. Heinze
Chief Executive Officer

AGDA

My Documents/Gas Line/LETTER WMC 9-2-03

1/13/04 OVERVIEW: OMB

1-13-04

Taking Responsibility Today for Alaska's Tomorrow

Jobs, Hope, and Accountability

Governor's Proposed FY 05 Budget
January 13, 2004
House Finance Committee

1

Governor's FY 05 Parameters

- Limit CBR draw to $400 million
- Spend less than FY 04
  - Had to cover $145 million in increased costs
    - Absorbing $34 million in employer costs
    - Covering $7 million in merit step increases
    - Covering $62 million in formula programs
    - Covering $42 million in increased debt

Our Budget Plan

- Control spending
- Make government smaller, more effective
- Stabilize revenues over the short term
- Increase revenues over the long term

3

Our Approach

- Policy drives spending decisions
- Ensure public value
  - Strategically align resources with mission
  - Performance targets set, results measured
- Target administrative savings first; cuts to direct services last

FY 05 General Fund Spending

Revenues		
1	Unrestricted GF Revenues	$1,724
2	New revenues	$53
4	Total	$1,777
Spending		
5	Operating Budget	$2,143
6	Capital	$40
7	Debt/Other	$51
8	Allowance for FY05 Supps	$13
9	Allowance for new legislation	$5
10	Total	$2,252
11	Revenues v spending	($475)
12	CBR Draw	$400
13	Revenue (Shortfall)/Surplus	($75)
14	New revenue thru legislation	$78
15	Adj Revenue (Shortfall)/Surplus	$3
16	FY05 spending vs FY04	($49)

5

FY 05 Spending - All Funds

	FY 04	FY 05	05 v 04
Spending			
General Funds	$ 2,301	$ 2,252	$ (49)
Other State Funds*	$ 1,123	$ 1,002	$ (121)
Subtotal	$ 3,424	$ 3,254	$ (170)
Federal Funds	$ 2,610	$ 2,861	$ 251
Total Spending	$ 6,034	$ 6,115	$ 81
Positions	22,600	22,198	(402)

*Excludes spending of PF earnings

Administrative Savings

- Consolidate Human Resources in Administration
- Enterprise-wide IT standards, coordination
- Consolidate administrative functions within department
- Reduce layers of mid-management
- Eliminate funded, but vacant positions
- Maximize charges to grants to cover admin costs

7

Missions & Measures

- Strategic framework for each department
  - Mission
  - Desired end results
  - Strategies to achieve end result
  - Performance targets
  - Measure of success in achieving target

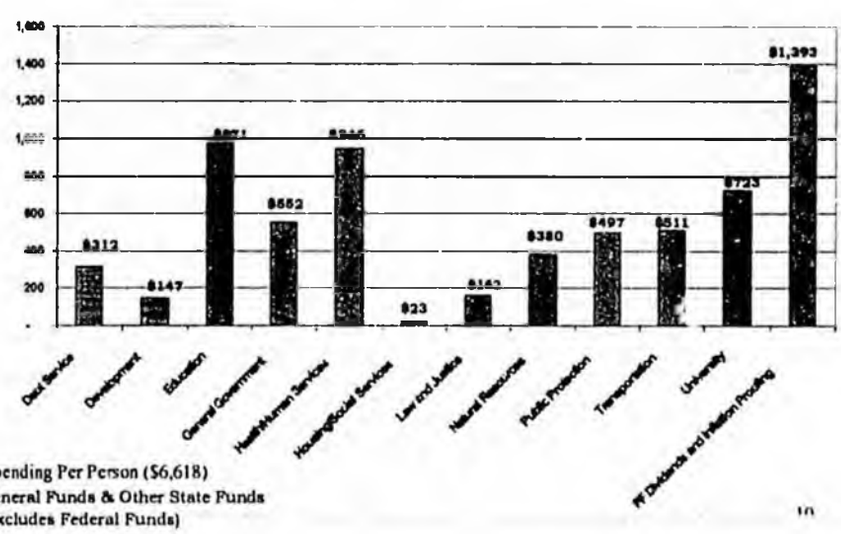
Missions & Measures

- Ensures public value
- Strategically aligns resources with mission
- Sets targets and measure results
- Reports accountability to Legislature, citizens
- Gives managers information by which program performance can improve

9

Spending Per Capita* in FY 05

by Category



*Spending Per Person ($6,618)
General Funds & Other State Funds
(Excludes Federal Funds)

10

Investment in Public Safety

- 20 troopers, 5 court service officers
  - Located primarily in rural Alaska
- Six criminal prosecutors
- Nine civil attorneys
- Six public defenders
- 14 social workers, 7 associate social workers

11

Investment in Education

- K-12
  - Fund as provided by law
    - K-12 foundation program
    - School debt
    - Pupil transportation
- University
  - 5% ($10.6 million) for Regent priorities

Investment in Resource Development

- Natural Resources
  - Oil & Gas Division new positions
    - Alaska Peninsula oil and gas lease
    - Gas pipeline
    - NPR-A
  - Coastal Management "Permit Portal"

13

Capital Budget

- $1.4 billion in all funds
  - $124 million higher than FY 04
  - $1.3 million Federal funds
    - $216 million FF for Juneau Access
    - $ million for Gravina Island crossing
- Leverage state dollars with bond proceeds
  - Alaska Student Loan Corporation
  - AHFC

14

Investment in Infrastructure

- Road, highway, ferry, airport projects
  - $977 million in Federal funds
- Water, sewer, solid waste projects
  - $79 million for VSW projects
  - State's share financed by AHFC bonds

15

ASLC Bond Proposal

- Way for ASLC to repay state for initial investment
- Multi-year plan
  - $75 million in year one
  - $100 million in year two
  - $85 million in year three
- No impact to student loan programs
- Future loan repayments pay debt
  - No draw on state's general treasury

Unrestricted GF Revenues

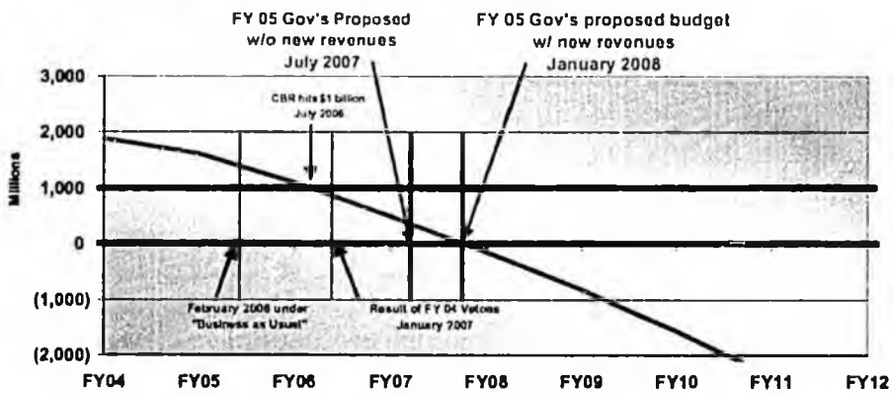
- Fall forecast
  - $1,724 based on $24.65/bbl
    - +$200 million above Spring forecast
    - -$299 million below FY 04
- Initial new revenue proposals
  - Transient accommodation - $32 million
  - Tobacco - $36 million
  - Cruise ship gambling - $3 million
  - Pull tabs - $2 million
  - Shore-side guided tour activities - $5 million

17

CBR Projected Balance

- FY 04 year-end: $1,883
  - FY 04 draw of $278 million
- FY 05 year-end: $1,585
  - FY 05 draw of $400 million
- Policy: $1 billion minimum balance

Impact on CBR Balance Available



20

1/14/04

OVERVIEW: POMV SUBCOMM., WAYS & MEANS COMM.

Taking Responsibility Today for Alaska's Tomorrow

Jobs, Hope, and Accountability

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Our Overall Budget Plan

- Control spending
- Make government smaller, more effective
- Stabilize revenues over the short term
- Increase revenues over the long term

3

Our Approach to FY 05

- Policy drives spending decisions
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*Excludes spending of I/F earnings

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Administrative Savings

- Consolidate Human Resources in Administration
- Enterprise-wide IT standards, coordination
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- Reduce layers of mid-management
- Eliminate funded, but vacant positions
- Maximize charges to grants to cover admin costs

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- Strategic framework for each department
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- Reports accountability to Legislature, citizens
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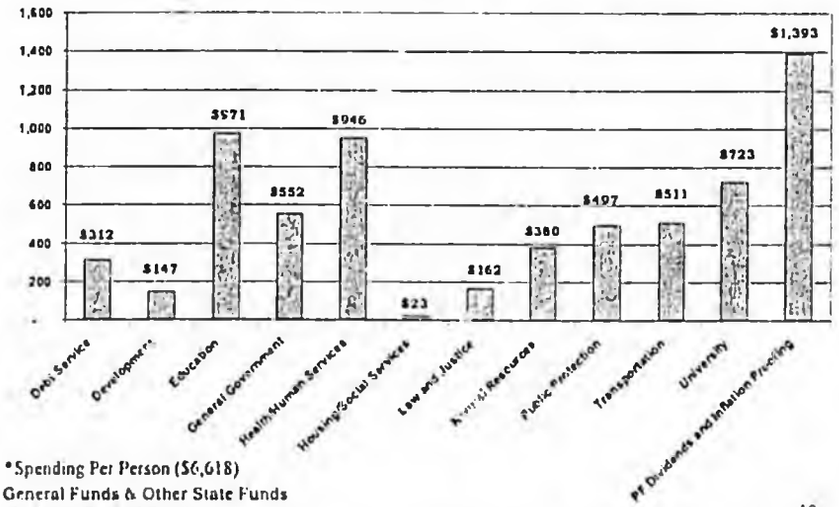
Spending Per Capita* in FY 05

by Category



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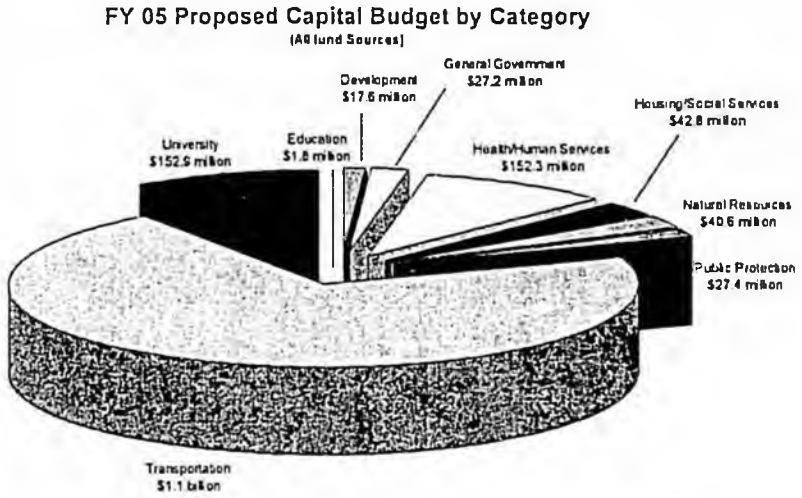
Capital Investment



15

ASLC Bond Proposal

- Issue capital project revenue bonds
  - Way to return contributed capital to the state
- No impact to student loan programs
- Future loan repayments will pay debt
  - No draw on state's general treasury
- Slight reduction in future dividends

16

Unrestricted GF Revenues

- Fall forecast
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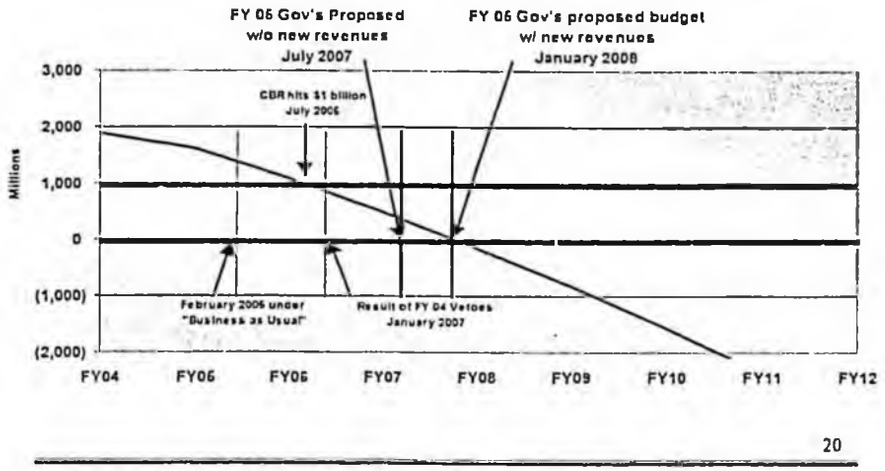
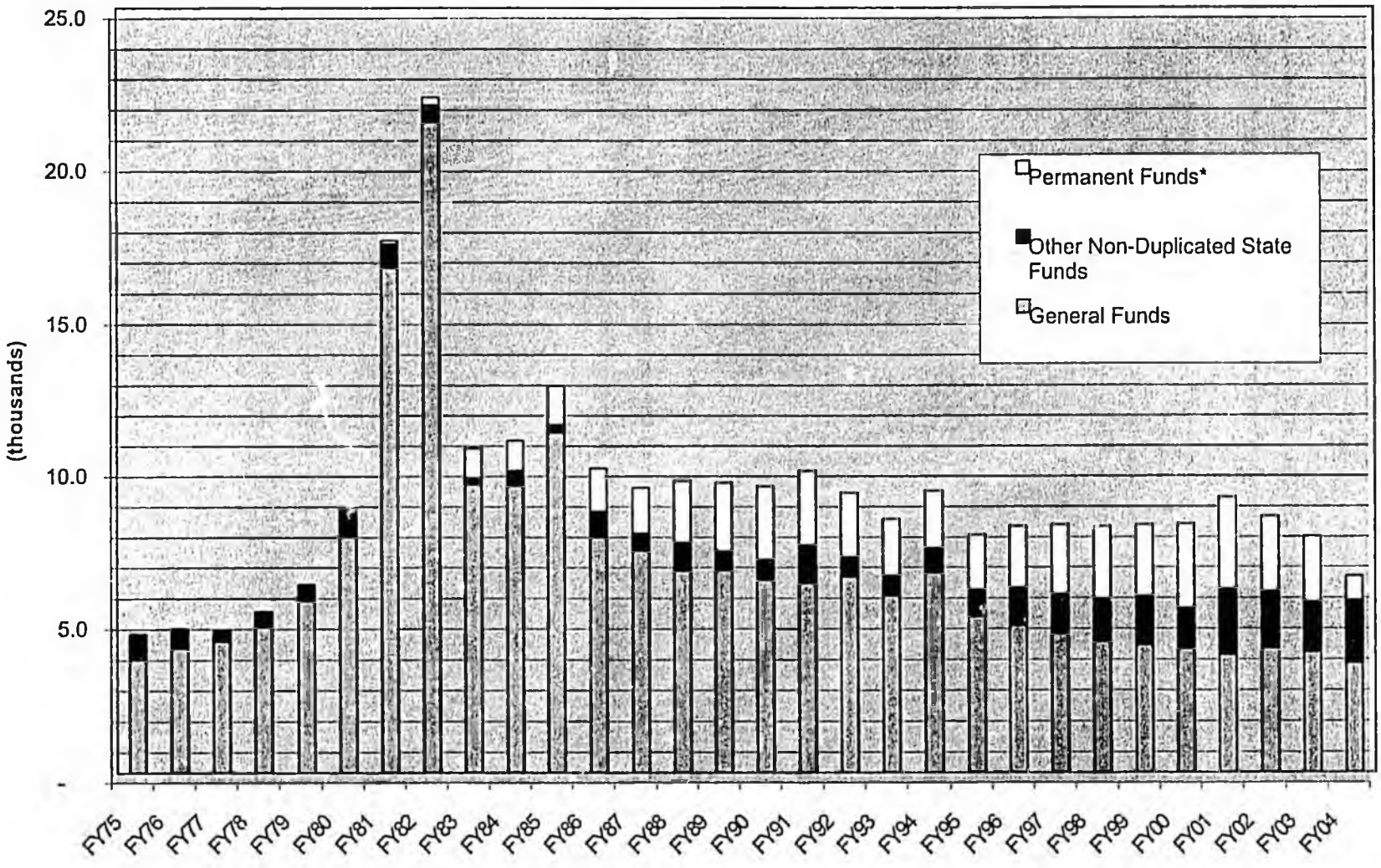


20

Real Per Capita State Appropriations

(FY04 dollars)



* Dividends, inflation proofing and other approps to principal

Headquarters:
217 2nd Street, Suite 201
Juneau, Alaska 99801
(907) 586-2323 FAX 463-5515
www.alaskachamber.com

Regional Office:
601 W. 5th Ave., Suite 700
Anchorage, Alaska 99501
(907) 278-2722 FAX 278-6643

ALASKA ★STATE★ CHAMBER OF COMMERCE

January 6, 2004

The Honorable Pete Kott
Speaker of the House of Representatives
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Kott,

In a meeting last month of the membership and the board of directors, the Alaska State Chamber of Commerce considered the matter of the state's fiscal gap and how we would like to see it addressed. First, we want to express our appreciation for efforts you have made to date to maintain budget discipline. Without these efforts, the state would now be facing an even more serious budget deficit.

The Alaska State Chamber of Commerce agrees with the many other organizations throughout Alaska that the Legislature should be encouraged to work with the Administration during the upcoming session to develop a comprehensive, long-range fiscal plan for the state. While the ultimate decisions regarding Alaska's revenues and expenditures rest with you and your colleagues in the Legislature, the Alaska State Chamber is committed to fully participate in the debate, and pledges to help resolve this issue in a manner that will do the most good for the citizens of Alaska and Alaskan businesses over the long term. The State Chamber also recognizes that a long-range fiscal plan may need to encompass many different sources of revenue and that details of any prospective plan will no doubt be both practically and politically difficult to develop. Therefore, we encourage the Legislature to consider the following general steps as prioritized below:

1) Budget Discipline: Alaska must adjust to the reality of lower revenues just as a family or business would by controlling spending. Reasonable spending controls should be incorporated into any long-term fiscal plan. The State Chamber is most concerned that if revenues are made available first by imposing new taxes, fiscal discipline could be compromised. The State Chamber urges the Legislature to maintain fiscal discipline as the cornerstone of a fiscal plan. The Chamber encourages the Legislature to look for ways of reducing government size and spending, including rescinding unnecessary laws that add unnecessary costs and burdens.

2) New Uses of Permanent Fund Earnings: The State Chamber believes appropriating a portion of the earnings from the Permanent Fund to help support state services is a legitimate use of those funds. Using some of the Permanent Fund earnings for state government should not preclude the Alaska Permanent Fund Dividend program from continuing.

3) As a last resort after fully addressing the above provisions: Consider the implementation of a broad-based, statewide tax. The State Chamber is concerned that new taxes would negatively impact the competitiveness of Alaskan business, especially if incrementally increased over time. Hence, the State Chamber reiterates that fiscal discipline and legislative accountability must precede any new taxes.

The fiscal challenges facing Alaska are not new and the tools available to address the problem have been well defined. However, without a sound fiscal management plan there is a growing risk to the state's economic health with every passing year. In fact, uncertainty regarding Alaska's fiscal regime has been mentioned as a primary disincentive to private investment in the state. Fortunately, at this time, Alaska has a wide array of potential options to address this challenge.

Each of the steps outlined above encompasses a multitude of variations. In creating a fiscal package, we encourage the Legislature to incorporate elements from all three general recommendations beginning with spending controls, moving to new uses of the Permanent Fund earnings and finishing with a new broad-based tax, if necessary.

We are eager to support you in a responsible, committed effort to address this issue during the next legislative session. With leadership and courage from the Legislature, a long-term fiscal plan for Alaska can become a reality. The challenge of addressing our state's fiscal imbalance is daunting, but the successful creation of a sound management plan will provide long-term economic benefits to Alaska. Failing to address this challenge during the 2004 legislative session damages the state's business and financial reputation and assures irreparable harm to Alaskans.

Sincerely,

Pamela La Bolle

Pamela La Bolle
President

Alaska State Chamber of Commerce

2004 Priority

Alaska Permanent Fund Distribution Determination

The Alaska State Chamber of Commerce recognizes that the current "Realized Earnings" method for determining distributions from the Alaska Permanent Fund is an out-of-date system that was originally designed to calculate distributions when the Fund's principal was 100% invested in fixed-income securities. Now that the Fund has matured and its investments are distributed among fixed income, real estate, and foreign and domestic equity markets, a more modern and responsive distribution system is necessary. Therefore, the Chamber urges the Legislature to approve a Percent of Market Value (POMV) plan as a proposed amendment to the Alaska Constitution on the 2004 ballot.

Adopted December 4, 2003

Pamela La Bolle

Pamela La Bolle, President

Pete Leathard, Chairman

KODIAK
CHAMBER
OF COMMERCE

100 E. Marine Way, Suite 300, Kodiak Alaska 99615 • (907) 486-5557 • FAX: (907) 486-7605
www.kodiak.org • Email: chamber@kodiak.org

October 15, 2003

Representative Mike Hawker
Co-Chair
House Ways and Means Committee
Alaska State Legislature
716 W 4th Ave Suite 620
Anchorage, Alaska 99501-2133

Dear Representative Hawker,

The Board of Directors of the Kodiak Chamber of Commerce respectfully urges your committee to provide the leadership necessary during the upcoming legislative session to develop a comprehensive, long-range fiscal plan for the state.

We recognize that the ultimate decisions regarding Alaska's revenues and expenditures rest with the Legislature and Governor Murkowski's administration. We are committed to fully participating in the debate, and we pledge to help resolve this issue in a manner that will do the most good for the greatest number of Alaskans over the long term.

Details of any prospective plan will no doubt be both practically and politically difficult to develop. Nonetheless, we believe the following general steps must be taken:

1) Budget Discipline
Alaska must adjust to the reality of lower revenues just as a family or business would — by controlling spending. Additional spending controls should be incorporated into any long-term fiscal plan. However, our organization does not believe it possible or wise to correct the entire fiscal imbalance through budget cuts alone.

2) New Uses of Permanent Fund Earnings
We believe appropriating a portion of the earnings from the Permanent Fund to help support state services is a legitimate use of those funds. Furthermore, we strongly support the creation of a "percent of market value" structure for the Permanent Fund. Using some of the Permanent Fund earnings for state government should not preclude the Alaska Permanent Fund Dividend program from continuing and growing.

3) Institution of a Broad-Based Tax

Spending controls and new uses of Permanent Fund earnings may not be enough to close the state's fiscal gap over time. In light of this fact, we believe it is appropriate for the administration and Legislature to consider the implementation of a broad-based, statewide tax. Any discussion of statewide taxes should include a thorough, public analysis of an income tax, a sales tax and any other broad-based taxes. Any discussion of sales tax should provide for mechanisms that holds harmless those communities that already have a sales tax in place.

The fiscal challenges facing Alaska are not new and the tools available to address the problem have been well defined. However, with every passing year, the lack of a sound fiscal management plan poses a growing risk to the state's economic health. In fact, uncertainty regarding Alaska's fiscal regime has been mentioned as a primary disincentive to private investment in the state. Fortunately, at this time, Alaska has a wide array of potential options to address this challenge.

Each of the steps outlined above encompasses a multitude of variations. In creating a fiscal package, we encourage the Legislature and the Administration to incorporate elements from all three general recommendations beginning with spending controls, moving to new uses of the Permanent Fund earnings and finishing with a new broad-based tax, if necessary.

We are eager to support you in a responsible, committed effort to address this issue during the next legislative session. Through strong leadership and courage from the Legislature, a long-term fiscal plan for Alaska can become a reality. The challenge of addressing Alaska's fiscal imbalance is daunting, but the successful creation of a sound management plan will provide long-term economic benefits to Alaska. Failure to address this challenge now risks irreparable harm to future generations of Alaskans.

Yours in economic prosperity,

Deborah M. Milam
President

Cc: Senator Gary Stevens
Representative Dan Ogg

ANCHORAGE CHAMBER
of COMMERCE

Board of Directors, Anchorage Chamber of Commerce
In Support of Economic Growth and Long-Term Fiscal Stability
Resolution 2003/04-06

WHEREAS, the mission of the Anchorage Chamber of Commerce is to "be effective as a business leader by supporting and focusing our broad-based membership in their efforts to grow Anchorage into a Premier American City"; and

WHEREAS, the health of Anchorage's economy is significantly tied to the stability of the State of Alaska's revenues and spending; and

WHEREAS, the State of Alaska has continued to spend more money than it brings into the general fund each year, resulting in increasing expenditures from the State's Constitutional Budget Reserve Fund; and

WHEREAS, the State's financial instability has caused declines in support to education, economic development and other programs that are critical to Anchorage's ability to diversify its economy and increase its economic wealth; and

WHEREAS any vision of Alaska's future and corresponding fiscal plan will require a supportive physical and workforce infrastructure; and

WHEREAS education, both k-12 and university, constitute the major components of the preparation and expansion of the workforce infrastructure;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Anchorage Chamber of Commerce that the Board urges the Governor and Legislature to jointly develop and implement a strategy that will provide fiscal certainty for Alaska's economy and future by matching spending and recurring revenues, guided by a clear vision of what is to be achieved and how; and

AND FURTHER RESOLVED that the Anchorage Chamber of Commerce encourages the Governor and Legislature to incorporate the following elements into the long-term strategy; and

- Evaluate the effectiveness of state services within a government framework,
    - eliminate those that are inadequate, ineffective or inefficient, and
    - invest in programs that are designed to increase the diversity of Alaska's economy and enhance the competitiveness of Alaska businesses so they can successfully compete in Alaska and other markets;
- Contract with Alaska's private sector for the delivery of appropriate state services in instances where savings can be realized and/or increased productivity achieved;

- Continue to work with all state agencies to develop and implement programs that encourage maximizing purchases from Alaska-based vendors;
- Recognize that Alaska's fiscal situation is not being solved by shifting governmental costs and responsibilities from the State to the school districts and municipalities;

AND FURTHER RESOLVED that after an appropriate level of effective state services has been established, identify sufficient revenues to support government services over the long term; all potential revenue enhancement programs should be evaluated in terms of their impact on Alaska's long-term economic growth, and new revenues should be used in the following order:

1. Use a portion of the current Permanent Fund earnings,
2. Maintain an appropriate balance in the Constitutional Budget Reserve Fund and use it as a "shock absorber" against oil price fluctuations,
3. Use debt, as appropriate, to finance the State's infrastructure needs on a long-term, systematic basis, and
4. After acting under 1 – 3 above, implement broad-based consumption taxes and/or income taxes that are fair, equitable, and encourage economic development;

AND FURTHER RESOLVED that the Anchorage Chamber of Commerce urges the Governor and his administration to collaborate with the efforts of local communities to develop and implement long-term economic development initiatives like those in "Vision Anchorage";

AND FURTHER RESOLVED that the Alaska State Legislature appropriate sufficient funds to education and to the University of Alaska to cover their inflation increases while such a fiscal plan is being crafted.

AND FURTHER RESOLVED that copies of this resolution be sent to the Governor, all members of the Legislature, the Anchorage Mayor and Assemblymembers, the Alaska State Chamber of Commerce, other local chambers of commerce; and Statewide media.

APPROVED April 25, 2003

George Vakalis, 2002-2003 Chair

Stacy Schubert, President

ANCHORAGE
Convention &
Visitors Bureau

December 18, 2003

The Honorable Mike Hawker
State Representative
Co-Chair House, Ways & Means
716 W 4th Avenue Ste 620
Anchorage, AK 99501

Dear ~~Representative Hawker:~~ Mike:

At the December 17, 2003, meeting of the Anchorage Convention & Visitors Bureau (ACVB) Board of Directors, the Board voted to go on record for the following:

- The ACVB Board of Directors supports the concept of a 2% visitor industry self-assessment to be used for statewide tourism marketing.
- The ACVB Board of Directors opposes Governor Murkowski's budget proposal for a 5% transient accommodations tax. This would destroy Anchorage's ability to achieve greater economic development through a larger convention center.
- The ACVB Board of Directors supports the long-range fiscal plan submitted to State Legislators and Governor Murkowski in October 2003 by 20 business, civic and trade organizations, calling for budget discipline, a "percent of market value" structure for the Permanent Fund, and institution of a broadbased tax. This is a way for the entire state to work together towards long-term economic benefits to Alaska.

Sincerely,

Bruce Bustamante
President & CEO

524 W. Fourth Avenue
Anchorage, Alaska
99501-2212

907-276-4118
Fax 907-278-5559

www.anchorage.net
Email: info@anchorage.net

ASSOCIATION OF ALASKA SCHOOL BOARDS
Advocates for Alaska's Youth

Bruce Johnson
DIRECTOR
QUALITY SCHOOLS/QUALITY STUDENTS

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December 19, 2003

Dear Representative Hawker,

The Association of Alaska School Boards would like to thank you and your House colleagues for your efforts over the interim to explore solutions to bridge the fiscal gap facing Alaska. We agree that addressing the fiscal gap is the top priority for the Legislature in 2004.

As an Association we stand ready to assist and contribute to the solution. Our 330+ school members are prepared to lend grassroots assistance when an appropriate direction is established. Please feel free to solicit our help whenever appropriate.

Best wishes for an enriching 2004.

REGARDS,
BRUCE JOHNSON

ASSOCIATION OF ALASKA SCHOOL BOARDS

Advocates for Alaska's Youth

RESOLUTION CALLING FOR A FULL DISCUSSION
OF A LONG-TERM FISCAL PLAN FOR ALASKA

WHEREAS, Alaska is at a critical junction in regard to its fiscal welfare, and

WHEREAS, the state is spending more than it is taking in, and

WHEREAS, budget cuts alone will not bridge the fiscal gap facing Alaska, and

WHEREAS, under the guidance of Alaska's Congressional Delegation, federal funds make up roughly 40% of Alaska's total operating budget, and

WHEREAS, in Alaska, oil revenue accounts for roughly 55% of state General Fund revenues, while the Constitutional Budget Reserve accounts for about 32% of state-generated funds, with 13% in non-oil revenues, and

WHEREAS, federal funding sources, Alaska's oil production, and the CBR are declining or are expected to decline over the long-term, and

WHEREAS, wise use of the Permanent Fund for the purpose it was intended (to help pay for state government when oil revenues decline), and the institution of a broad based tax (which represents our individual responsibility as citizens of Alaska) are potential sources of significant revenue, and

WHEREAS, failing to address this challenge now risks irreparable harm to Alaska's economy and to future generations of Alaskans,

NOW THEREFORE BE IT RESOLVED the Association of Alaska School Boards' Board of Directors joins the many other civic and trade associations, businesses and organizations, in calling for a full discussion of the critical elements of a long-term fiscal plan for Alaska.

BE IT FURTHER RESOLVED the Association of Alaska School Boards is committed to support the Alaska State Legislature and the Murkowski Administration as they work to address Alaska's fiscal imbalance.

Adopted October 6, 2003

Debbi Ossiander — AASB President

AASB Executive Director

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RESOURCE REVIEW

Jan 2004

A PERIODIC PUBLICATION OF THE RESOURCE DEVELOPMENT COUNCIL FOR ALASKA, INC.

www.akrdc.org

FISCAL PLAN NEEDED NOW

BY TADD OWENS, EXECUTIVE DIRECTOR, RESOURCE DEVELOPMENT COUNCIL
LARRY HOUEL, GENERAL MANAGER, ALASKA SUPPORT INDUSTRY ALLIANCE
RICHARD GATTANACH, EXECUTIVE DIRECTOR, ASSOCIATED GENERAL CONTRACTORS OF ALASKA

On behalf of the Resource Development Council, the Alaska Support Industry Alliance, and the Associated General Contractors of Alaska, three of the 19 organizations that recently signed a letter to the Governor and members of the Alaska Legislature encouraging them to develop a long-term fiscal plan, we would like to encourage all Alaskans to become engaged in this important issue.

The complete list of participating business, civic and trade associations are listed at the end of the letter which is reprinted on page three of this publication.

The cooperative work of this diverse group of Alaskans is symbolic of the work that now needs to take place in Juneau. Each organization that signed the letter took a risk by accepting a less than optimal proposal from its individual perspective in order to participate in a larger consensus.

In other words, organizations representing Alaskan businesses, communities, trade associations and educational interests compromised on details in order to achieve a greater goal. We need our elected officials from both parties in both the executive and legislative branches to follow suit.

The tools available to solve the problem are well defined. What we need now is the fortitude to put them into action. Our group plans to work constructively with both the Murkowski administration and the legislature as they strive to solve our state's ongoing fiscal imbalance. We have asked them for leadership, we have encouraged them to work together, and we have promised them our participation and support.

One thing is clear: This is no time for politics. If every interested participant in this debate pursues the most self-centered, politically advantageous course of action, the problem will not be solved and all Alaskans will suffer. Rhetoric must be cast aside in favor of action. Poll-watching must be supplanted by leadership. Political calculation must be replaced with statesmanship.

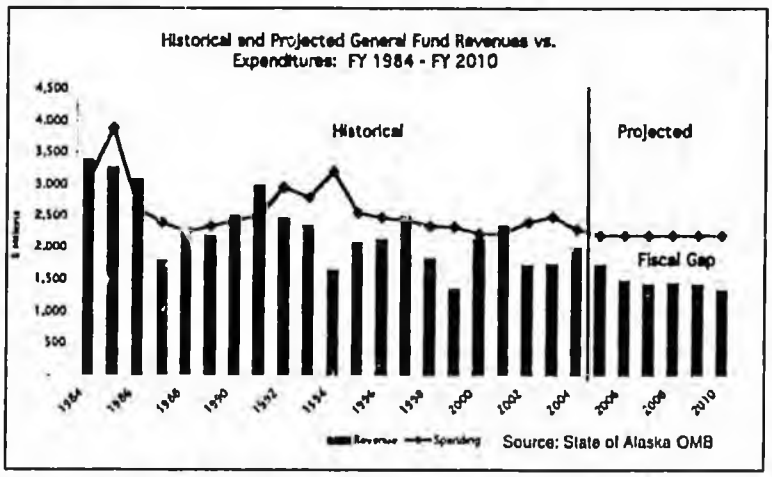
Resolving the state's ongoing fiscal imbalance is a challenge greater than one political party or one branch of government. The responsibility of leadership in this instance falls on a broad cross-section of Alaskans.

Republicans and Democrats in the legislature must begin to build a level of trust that will allow them to work cooperatively. The administration must also cultivate an improved relationship with members of both parties in the legislature.

Business and civic organizations must educate their members and work cooperatively with our elected officials. The media must resist the temptation to pick at wounds from the most recent campaign season, and instead concentrate on the actions of today. Rather than look back, we must all begin to focus on the future.

As we stated in our letter, "With leadership and courage..., a long-term fiscal plan for Alaska can become a reality. The challenge of addressing our state's fiscal imbalance is daunting, but the successful creation of a sound management plan will provide long-term economic benefits to Alaska."

We have good reason to believe the legislature and the Governor are listening, and intend to work with us and other Alaskans to meet this challenge.



In eleven of the past thirteen fiscal years, the State of Alaska has drawn from its chief savings account, the Constitutional Budget Reserve (CBR), to balance its budget. Based on Governor Murkowski's FY '05 proposed budget, the CBR is projected to run dry between 2007 and 2008. RDC and other organizations will be working with the Murkowski administration and the legislature to develop a long-range fiscal plan for the state.

INSIDE

KING CRAB GIFT BOXES

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Anchorage Daily News

State politicians, show some leadership

BILL MCALLISTER
COMMENT

(Published: December 14, 2003)

On Monday, Gov. Frank Murkowski will release his proposed state budget for Fiscal Year 2005, and there will be, again, some unpopular cuts.

So let the games resume. But this time around, let's see some sportsmanlike conduct.

The first year of the Murkowski administration has been marked by a nearly unrelieved state of zealotry on both sides. There was rarely any event, proposal or action that wasn't filtered through a partisan prism, reflecting little statesmanship.

Perhaps this should be filed under the category of "Duh." But there were important bipartisan accomplishments prior to the past year, demonstrating that it doesn't have to be this way.

In 2001, the state enacted groundbreaking legislation on cruise ship pollution. The new regulations accelerated the cruise industry's move toward onboard retrofits, which have achieved a modest improvement in water and air quality wherever the ships travel throughout the world.

Last year, then-Rep. Lisa Murkowski's "dime a drink" bill narrowed the gulf between the state's alcohol-related revenues and the incredible government expenditures related to addiction and its consequences. Also in 2002, the Legislature approved the first general obligation bonds in 20 years and, with the backing of voters, launched a school construction and maintenance program that balanced urban and rural needs.

Observers of the legislative process will note that all of this was achieved after delays, flip-flops and bitter words. That goes back to the adage about not watching laws or sausages while they're being made.

But the fact remains that both Democrats and Republicans can take credit for reining in polluters, making a long overdue adjustment to the tax structure and giving our children safer and better facilities for their education.

Nothing comparable came out of the 2003 session, the first in many years in which one party controlled both the executive and legislative branches.

Republicans will point out that in addition to electing a Republican as governor, voters gave the party exactly a 2-1 edge in the Legislature. But that means that Republicans constitute 66.6 percent (end-times fanatics, take note), not 100 percent. And Democrats clearly did not exercise one third of the power this past session, although it must be said that much of the time they really didn't try to, preferring instead to let Republicans twist in the harsh wind of the fiscal gap.

The Republican administration's push to streamline environmental review of development projects

completely disregarded the minority's response, including an alternative approach to achieving the stated goal of efficiency. Meanwhile, Democrats refused to entertain any revenue-raising notions floated by Republicans, thus abdicating responsibility for balancing the budget -- formerly a big concern of theirs, we were told.

Democrats more or less said the governor is a liar. The governor blamed his Democratic predecessor for presiding over eight years of alleged "malaise."

The sniping continues long after the session.

Democrats still harp on the death of the longevity bonus, a program that made indisputably arbitrary distinctions among senior citizens. True, there won't be any profiles in courage written about those Republican legislators who refuse to say how they voted in the secret ballot on whether to hold a special session to override Gov. Murkowski's veto.

But Democrats, intent on hanging Murkowski with the misleading "no new taxes" rhetoric of his 2002 campaign, won't acknowledge that the governor exercised some leadership when the Legislature refused to pass a sales tax -- the refusal, of course, being at least partly due to the minority's determination not to provide any bipartisan cover for new revenue.

Let's stop there. The list of political fouls exceeds the space available, by a considerable margin. The only point in raising these examples is to show how counterproductive it would be to let them play out any longer. The only way to move forward is with as blank a slate as possible.

After all, this is the season of hope, redemption and reconciliation. If these aren't the politicians who will bridge our divide, then where are they? If this isn't the time to bring Alaskans together, then when will it be?

To ask such questions is to risk being labeled naive, sort of like Rodney King saying "Can't we all just get along?" after the blood is already running in the streets.

But there's a flip side, an alternative tone that voters might consider if things don't change.

In hosting "Saturday Night Live" during the polarized early years of the Reagan administration, actor Bob Guillaume, in his opening monologue, said something like, "I'm a radical moderate. I want some moderation now, and if I don't get it, I'm going to start busting some heads."

Alaskans should demand no less.

Bill McAllister, a Juneau-based journalist, forgives politicians their trespasses, as he hopes they forgive his.

FBX News Miner - Dec 03

Legislators must make tough calls on fiscal gap, sooner rather than later

In short order, decisions about state finances won't be able to be put off until next year.

Soon it will be this year.

The Legislature returns to work Jan. 12 and will again confront the issue of the state's recurring annual budget shortfalls. Once legislators assemble in Juneau, talk will turn to Gov. Frank Murkowski's proposed budget and to what extent to modify it to suit the Legislature. Some will assail the governor's suggested cuts and fees. Others will try to steer the debate to a statewide tax. Discussion will, at some point, turn to a proposal to modify the way by which legislators have access to the Alaska Permanent Fund.

Those with wisdom and foresight might try to place the debate in the context of future years, not just the next fiscal cycle.

Alaskans should want their elected officials to take a wider view. And they should want them to do more than talk. The Legislature must pass measures that will put the state's finances in order for years to come. And these must be items based on substance and not hope.

One such item looming large in the coming session is the proposed change to the permanent fund. The idea, known as the Percent of Market Value, has long been sought by the fund's board of trustees as a way to stabilize the dividend at a substantial level, guarantee the fund will be guarded against inflation and provide a fairly predictable source of revenue for government spending. It has a number of legislative supporters and has the backing of the governor.

But since the idea is a constitutional amendment, it must gain voter approval. For the idea to help close the expected budget gaps soon, the amendment must be placed on the November 2004 ballot. Some say, however, that political considerations may prompt some to try placing it on the 2006 ballot instead.

Waiting two years is just another example of an unfortunate state of affairs that grips the Legislature from one session to the next. The desire for political gain, a quest of both major parties, is often placed ahead of the state's well-being, it seems. Already Alaskans hear their legislators repeatedly say that major decisions cannot be made in an election year, of which next year is one. Politics prevents it, senators and representatives say. No one wants to risk angering voters.

Perhaps, though, the rising fiscal pressure will force some hard decisions in the Legislature, regardless of the election cycle. And if those choices finally do get made and the budget problems are therefore solved, Alaskans should reward those who chose to risk their political lives.

‹ Fairbanks Daily News-Miner

Support grows for solving fiscal woes

COMPASS: Points of view from the community

By TADD OWENS and LARRY HOULE

(Published: November 30, 2003)

On behalf of the Alaska Support Industry Alliance, the Associated General Contractors of Alaska and the Resource Development Council for Alaska, three of the organizations that recently signed a letter to the governor and members of the Alaska Legislature encouraging them to develop a long-term fiscal plan, we would like to encourage all Alaskans to become engaged in this important issue.

Nineteen Alaska organizations signed the letter, and with every passing week additional organizations commit their support. The complete list of participating business, civic and trade associations follows:

Alaska Air Carriers Association, Alaska Coal Association, Alaska Conference of Mayors, Alaska Council of School Administrators, Alaska Fire Chiefs Association, Alaska Government Finance Officers Association, Alaska Hi-Tech Business Council, Alaska Miners Association, Alaska Municipal League, Alaska State AFL-CIO, Alaska State Home Building Association, Alaska Support Industry Alliance, Anchorage Chamber of Commerce, Associated General Contractors of Alaska, Association of Alaska School Boards, Council of Alaska Producers, Eagle River and Chugiak Chamber of Commerce, Juneau Economic Development Corporation and the Resource Development Council for Alaska.

Why is it important to acknowledge all of the participating organizations? Because the cooperative work of this diverse group of Alaskans is symbolic of the work that now needs to take place in Juneau. Each organization that signed the letter took a risk by accepting a less than optimal proposal from its individual perspective in order to participate in a larger consensus.

In other words, organizations representing Alaska businesses, communities, trade associations and educational interests compromised on details in order to achieve a greater goal. We need our elected officials from both parties in both the executive and legislative branches to follow suit.

The tools available to solve the problem are well defined. What we need now is the fortitude to put them into action. Our group plans to work constructively with both the Murkowski administration and the Legislature as they strive to solve our state's ongoing fiscal imbalance. We have asked them for leadership, we have encouraged them to

work together and we have promised them our participation and support.

One thing is clear: This is no time for politics. If every interested participant in this debate pursues the most self-centered, politically advantageous course of action, the problem will not be solved and all Alaskans will suffer. Rhetoric must be cast aside in favor of action. Poll-watching must be supplanted by leadership. Political calculation must be replaced with statesmanship.

Resolving the state's ongoing fiscal imbalance is a challenge greater than one political party or one branch of government. The responsibility of leadership in this instance falls on a broad cross-section of Alaskans.

Republicans and Democrats in the Legislature must begin to build a level of trust that will allow them to work cooperatively. The Murkowski administration must also cultivate an improved relationship with members of both parties in the Legislature.

Business and civic organizations must educate their members and work cooperatively with our elected officials. The media must resist the temptation to pick at wounds from the most recent campaign season and instead concentrate on the actions of today. Rather than look back, we must all begin to focus on the future.

As we stated in our letter, "With leadership and courage, a long-term fiscal plan for Alaska can become a reality. The challenge of addressing our state's fiscal imbalance is daunting, but the successful creation of a sound management plan will provide long-term economic benefits to Alaska."

We have good reason to believe the Legislature and the governor are listening and intend to work with us and other Alaskans to meet this challenge.

Tadd Owens is executive director of the Resource Development Council for Alaska. Larry Houle is general manager of the Alaska Support Industry Alliance. Richard Cattanach, executive director of Associated General Contractors of Alaska, contributed to this piece.

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Anchorage Daily News

Opinion

(Published: November 19, 2003)

POMV

Time to turn the Permanent Fund into an endowment

'POMV" is getting to be the favored buzzword of policy-makers looking to fix Alaska's chronic budget mess. More and more, POMV looks like the first step to a solution.

It stands for "percent of market value," and it means turning the Alaska Permanent Fund into an endowment and using it to stabilize state finances. Local governments are the latest to get on board, with a resolution from the Alaska Municipal League at its conference last week in Nome. A growing array of business and civic groups, along with diverse editorial voices around the state, have expressed support in recent months.

A constitutional amendment would be needed to establish the POMV approach, and the Alaska Legislature should send such an amendment to voters next fall.

The POMV approach would establish -- and limit -- the draw on Permanent Fund earnings to 5 percent of its market value in a given year. This is the approach used by universities and other major endowments to provide a steady income stream without, in the long run, dissipating the value of the fund. Research shows that in a well-managed fund, over time, a 5 percent payout per year both protects value and provides maximum safe income to the owners.

The point -- and one of the reasons the Permanent Fund board of trustees has pushed POMV for years -- is to settle on 5 percent as the upper limit of any draws from the fund and thereby do what we can to make the Permanent Fund truly permanent.

At the Permanent Fund's current value, a 5 percent payout would be about $1.3 billion per year. What to do with that amount is technically a separate question,

but the Legislature is unlikely to consider it that way. Most POMV discussions have suggested a 50-50 split between dividends to citizens and support for state government -- at current value, roughly $650 million per year to each.

That would be convenient for elected officials struggling with state finances. First, it covers most of the current "fiscal gap" that has forced legislators to draw down reserves in 11 of the past 13 years. It wouldn't be a permanent fix unless oil prices are improbably high for a very long time, but it would go a long way.

Second, by changing the calculation of the amount of the Permanent Fund dividend, it would actually increase the projected dividend in the next few years while stabilizing it in the long run. Why? The current calculation is based on a five-year average of market results -- and the past three were down years. Changing the calculation would level out the bottom of the valley in the fund payouts -- and also keep it from rising as fast, in 2007 and beyond, as it otherwise would. Both results would be healthy, because they would smooth out fluctuations in Alaskans' incomes and economic activity.

This year the fund paid out $691 million in dividends, which is not far from the $650 million POMV would provide. Current calculations would lower the payout to a projected $564 million next year and $493 million the year after that, with commensurate drops in individual dividends.

Those things mean the timing is good. POMV would go a long way toward a solution to Alaska's fiscal woes. The Legislature would do well to embrace it -- as a rising tide of Alaska citizens and interest groups are beginning to do themselves.

BOTTOM LINE: POMV is an idea whose time has come.

Spin sin

Half-truths break the rules

House Bill 245, requested last session by Gov. Frank Murkowski and passed by the Legislature, includes a section that denies a member of the military damages from the state or a state worker for injury suffered at the hands of that worker on state duty, unless the injury is inflicted intentionally or shows complete disregard for safety.

The intent, said press spokesman John Manly, is to prevent members of state National Guard units from suing the state over incidents happening while on duty.

But that's not how the language of the bill reads.

So Reps. Les Gara and Ethan Berkowitz, along with former state Veterans Affairs director Laddie Shaw, on Veterans Day urged the governor to amend the bill. As the law reads now, a military member struck down by a careless state snowplow

adn.com
Anchorage Daily News

Voice of the Times

(Published: September 29, 2003)

LEGISLATURE SHOULD ENDORSE . . .Fund reform

WITH GOV. FRANK MURKOWSKI'S endorsement of a proposal to change the Alaska Permanent Fund into an endowment, another hurdle has been cleared on the road to stabilizing the fund and adding to its protection.

Under the proposal offered by the fund's board of trustees, earnings from Alaska's $23 billion nest egg no longer would be used for inflation-proofing or to pay dividends.

Instead, the fund would be changed to a "percent of market value" endowment. That means all the earnings would be ploughed back into the fund. Each year its directors, who anticipate an average of 8 percent growth, would deposit up to 5 percent of the fund's market value into the state general fund. That could be split 50-50 - to be used for government and to pay dividends. That should be set in law.

The idea is not new, and certainly is not radical. Many of the larger funds across the nation already are "percent of market value" endowments.

Because Alaskans in 1976 wisely established the rainy day account by constitutional amendment to underwrite the costs of government when oil revenues began to diminish, any changes must be approved by voters. To get an amendment on the ballot requires a two-thirds vote of each chamber of the Legislature - and there's the rub.

The Democratic legislative leadership has been rolling its eyes and clucking about whether such a proposal has a chance in the Legislature until Republicans offer up a complete fiscal plan. What they hope Alaskans do not get is that there cannot be a credible fiscal plan without factoring in the Permanent Fund in some fashion.

/ us, Republicans and Democrats alike, can agree that Alaska is at a frightening crossroads. Cutting government is reaching a point where it is counterproductive, but there likely will be something like another $250 million in cuts required next year. Bond experts are giving our credit rating the skunk eye because of our red ink. The prospect of taxes looms large.

Unfortunately, Alaskans view the fund as the source of an annual entitlement from Juneau, when we should be looking at the long-term welfare of the state we call home. After all, the fund was not set up to give us free money, but to help pay for government.

There is little doubt that the proposed change deserves bipartisan support in the Legislature. After

all, it would protect the fund and its dividend long-term, while going a long way toward easing government's fiscal woes.

It would be sad if Democrats were so myopic that they used their leverage in the House and Senate to block meaningful, needed reform for what they see as political advantage.

Sad, indeed.

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Voice of the Times - 9/25/03

Time to use part of fund to help pay for expenses

It's encouraging to see that some legislators are giving serious consideration to a constitutional amendment that would protect permanent fund dividends and open the way for using a portion of fund earnings for state expenses.

Rep. Mike Hawker, an Anchorage Republican and co-chairman of the House Ways and Means Committee, told the Anchorage Chamber of Commerce on Monday that the time is ripe for such a change.

It is indeed, since the change could now be phased in with minimal impact on individual dividend checks. At the same time it would put the permanent fund back on track for its original purpose ‹ funding the future cost of state government. The change could be accomplished by adopting a recommendation of the permanent fund board to use 5 percent of the total market value of the fund as earnings available for state use.

If the amendment were passed in the next legislative session and adopted in the 2004 statewide election, it could presumably become effective in 2005. And if half of that 5 percent were used for individual dividend checks and half for state expenses, the 2005 checks would be slightly larger than the $1,010 expected that year under the existing formula.

And perhaps more importantly, the change would free up about $625 million for state expenses. That would put a serious dent in the state's fiscal gap, making the balance more manageable with revenues from economic growth and reduced spending.

Critics of the plan maintain that the public would not accept such a change since dividend checks would otherwise be larger in the future. But unless a portion of earnings are used to fund essential government services, the public will almost certainly be facing an income tax or statewide sales tax.

Such taxes would almost certainly be more painful than phasing in the percent of market value approach at a time when dividends will be about the same as they would under the old system.

Paying larger dividend checks and then taxing them back ‹ and more ‹ would be a transfer of wealth that would convert the dividend program into a socialist form of welfare.

The Alaska Permanent Fund is a public asset. It is well-managed and wisely invested to produce a consistent return and continuing growth.

Making the change advanced by Hawker and others would enable the state to keep large dividend checks flowing while using a portion of earnings to pay the legitimate cost of state government.

‹ The Voice of the (Anchorage) Times

Sept. 25

adn.com
Anchorage Daily News

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POMV payout just another dividend raid

By JIM SYKES

(Published: December 29, 2003)

Alaska's fiscal follies will take the stage again soon because the state continues to spend more than it takes in. Gov. Frank Murkowski wants $400 million from the Constitutional Budget Reserve and a head tax on tourists. But the tourist tax could be given away to oil companies through royalty and tax breaks proposed by the governor.

An encore act is planned by some legislators to raid Alaskans' Permanent Fund dividends. One scheme would change the structure of the Permanent Fund using a percent of market value (POMV) payout--similar to systems used by private college endowments. The plan could be good or bad depending on how the 5 percent payout is spent.

One high-profile idea would divide the payout equally -- 50 percent for the Legislature and 50 percent to dividends. It sounds fair until one examines the effects.

Dr. Sharman Haley of UAA's Institute for Social and Economic Research compared the 50/50 POMV plan with a sales tax and an income tax. (www.iser.uaa.alaska.edu/Publications/POMV&taxes2.pdf) The study indicates the 50/50 POMV payout is the worst of the three.

The impact on dividends would be about the same as the 1999 plan that Alaskans voted down by a ratio of more than 4 to 1. A 50/50 POMV payout would unfairly take a higher percentage of money from lower and middle income Alaskans.

Now, as then, Alaskans would bear the entire increased tax burden without additional contributions from tourists, guest workers or Outside companies operating in Alaska.

Most fair, according to the ISER study, is an income tax that parallels the federal tax. Lower income families would pay little or nothing and those with higher incomes would pay more, equalizing the burden across all income levels.

Alaskans probably won't support POMV or other taxes if state passes their money to oil company tax breaks at the same time. Gov. Murkowski recently endorsed oil royalty reductions that could go as low as zero on North Slope federal lands. He also enticed independent oil producers with incentives. Such "less money for more oil" incentives could reduce funds for dividends, state government and Alaska Native regional corporations.

Prudent oil and gas development should focus on state lands where we get 90 percent of the royalties, instead of 50 percent or less from federal lands. Ample supplies of oil and gas are expected to last another 30 to 40 years on state lands alone. Fortunately, the Arctic National Wildlife Refuge is not open and contains little natural gas, so no federal giveaways can be engineered.

Legislators hoping for a natural gas boom may have a long wait. The currently dead federal energy bill scuttled the risky Alaska Highway gas line proposal. Brief attention returned to the more secure and economically viable All-Alaska gas line to Valdez. The moment ended with BP's recent decision to ship its Indonesian liquefied natural gas to Baja California instead of developing Alaska LNG. It's hard to understand why the Legislature allows oil companies to hold hostage Alaska's enormous gas reserves without contributing more toward the oncoming fiscal gap.

Our state treasury would be full if the Legislature had taken repeated suggestions to enact a windfall profits tax on oil above $18 per barrel. Equalizing corporate and state "profits" on high-priced oil would have raised about $3 billion over the last three years -- enough to pay dividends, eliminate the deficit and create a surplus. Oil companies could have written off much of the state tax from their federal taxes.

Whatever tax plan emerges, Alaskans demand fairness. A package that includes Alaskans, tourists, Outside workers and oil companies stands the best chance of support.

People need to work together with legislators to solve our fiscal problems. If another unfair dividend raid is attempted with or without POMV, I will gladly work with the vast majority of Alaskans to stop it again.

Jim Sykes was executive director of Alaska Public Interest Research Group, Oilwatch Alaska and is currently co-chair of the Green Party of Alaska.

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