

Transportation Committee Meeting
2/21/2008
7:00 a.m.
Denny's

Attendance: Denny Schlotfeldt, chair; Tony Johansen; Bill Brophy; Dean Owen; Tom George; Cliff Everts; Karl Gohlke; Stan Halvarson; Jim Little; Ed Peebles; Paul Metz; Roger Burggraf; Bob Tilly; Libbie Martin; Butch Stein; Joe Perkins; John Duffy; Ken Colette; Luke Hopkins; Jerry Timmons; Matt McGuire; and Michelle Gibson.

1. Call to Order: Denny Schlotfeldt called the meeting to order at 7:00 a.m.
2. Tony Johansen introduced today's guests—Joe Perkins, P.E. of Perkins Consulting, and former Commissioner of Transportation, and John Duffy, Manager of Mat-Su Borough.
3. Powerpoint Presentation on Port MacKenzie—John Duffy
 - a. Slide showing the Port District Boundaries. Own 12 square miles.
 - b. Port Mackenzie Markets
 - i. Wood chips—South Korea, Japan Taiwan
 - ii. Saw Logs—South Korea
 - iii. Cement—China
 - iv. Sand & Gravel—Alaska
 - c. Businesses
 - i. Current
 1. AMC--Manufacturing
 2. NPI—Wood chips, saw logs
 - ii. New
 1. Klondike—cement
 - iii. Projected
 1. CH2M Hill—Module Fabrication Plant
 2. AIC—Sand & Gravel Mining (\$750,000/year Spring 2008)
 - d. Future Expansion of Barge Dock
 - i. 7.86 Acres
 - e. Future Expansion of Deep Draft Dock
 - i. Part of Agrium project
 - f. Pt. MacKenzie
 - i. Deep Water – 60' MLLW & **No** annual dredging requirements
 - ii. **Can accommodate Cape and Panamax vessels today**
 - iii. Over 9,000 acres to stage minerals resources such as limestone, molybdenum, coal, lead and zinc.
 - iv. Zoned Industrial - **No** nearby residential neighborhoods
 - g. Slides Showing the M/V Susitna
 - i. The Navy is funding all of the construction. Matching federal transit funds. Will have in august of 2009.
 - ii. Part of the project required that it be built in Alaska, and it is being built in Ketchikan. Now have the most competitive catamaran shop in the world.
 - iii. Unique vessel demonstrated for 6 months then dock. The Navy gets all the operations and maintenance data out of this vessel operating 24-7
 - h. Rail extension project benefits
 - i. Supports Kenai Gasification project

- ii. New Interior Resources development opportunities
- iii. Benefits are \$61 million to \$737 million per year for 100 plus years
- iv. Limestone
 - 1. Portland cement manufacture (US net importer of cement)
 - 2. Lime/coal pellets for rural Alaska fuel source (lower costs/less pollution)
- v. Strategic Minerals (nickel, molybdenum)
- vi. Improved global price competitiveness of Alaska coal
- vii. Alternate rail link to Interior (natural disaster/terrorism)
- viii. Decreased rail congestion (Willow to Anchorage)
- ix. Increased royalty, rent, & corporate income tax payments to State of Alaska
- x. Lowers cost of building AGIA
 - 1. Port MacKenzie has lowest cost (\$612 per-joint vs. \$675 at Anchorage)
- xi. Rail Extension Construction
 - 1. Generates over \$350M total economic output*
 - 2. Generates over 3,000 jobs
- xii. Rail Extension w/Kenai Gasification
 - 1. Generates \$56M total economic output* (construction)
 - 2. Generates over 500 construction jobs
 - 3. Generates \$48M total economic output* (operations)
 - 4. Generates over 300 jobs (operations)
 - a. (*Includes direct, induced, and indirect)
- xiii. Slide showing comparison to Anchorage
 - 1. Net present value of Port MacKenzie freight savings relative to Anchorage port facilities for natural resources developed within a 120-mile wide corridor from the port site to Eielson AFB calculated at 4.5% for n=30 years.
- xiv. Slide showing potential tonnages over a ten year period. Also benefits to the state in income taxes. Coal exports, aggregates, lime, wood chips, petroleum projects, natural gas pipeline, power plant, and USARAK logistics.
 - 1. State legacy project. Major new transportation lane with economic benefits for everyone.
- xv. Slide showing Rail Extension Project Benefits Expected economic & financial impact (10-30yrs)
 - 1. Mine Development, mine life, annual tonnage of concentrates, rail revenue (\$0.06/mile), State income taxes, state license and royalties, gross metal value.
- xvi. Slide showing map of proposed corridors.
- xvii. Surface Transportation Board (STB) Schedule
 - 1. Notice filed with STB end of October 2007
 - 2. Alignment alternatives document complete
 - 3. NEPA 3rd party contractor selected.
 - 4. Filed formal petition to operate and construct rail extension February 2008
 - 5. Financial analysis – advertised January '08
 - 6. Complete supporting analyses – March '08
 - 7. Complete NEPA mid 2009

4. Port MacKenzie Rail Extension Project--Joe Perkins
 - a. Project participants—
 - i. Alaska Railroad Corporation (ARRC)—Applicant
 - ii. Mat-Su Borough (MSB)—Project Sponsor
 - iii. Surface Transportation Board—Lead Federal Agency
 - iv. HDR Alaska, Inc.—Environmental Consultant
 - v. TNH-Hanson, LLC—Engineering Consultant
 - vi. ICF Consulting, LLC—3rd Party NEPA Contractor
 - vii. Mat-Su could not be applicant because of not having rail, but the Borough is the project sponsor—the appropriation came to the Borough and the Railroad made the application.
 - b. Project Milestones
 - i. June 29—Initial MOA between MSB and ARRC
 - ii. August 7--TNH-Hanson and HDR retained by ARRC to assist in the STB process
 1. They developed documents which we submitted.
 - iii. September 18—Met with DNR large projects and permitting agencies, and have had numerous individual meetings
 - iv. In September started meetings, wanted to find out what people thought. Had open houses and listened to what people had to say.
 - v. October 22—Retained Washington, D.C, legal counsel to represent MSB and ARRC before the STB.
 - vi. October 30—Briefed joint MSB Planning Commission and Assembly
 1. Had to keep Assembly informed.
 - vii. October 31—Introduced project before SEA (STB)
 - viii. November 5—Provided information to the Planning and Port Commissions
 - ix. November 6—Issued RFP for 3rd-party NEPA contractor
 - x. November 20—Presented matrix results to MSB Assembly
 - xi. November 21—Received waiver of 6-month filing notice from STB
 - xii. January 4—STB approves ICF Consulting as 3rd-party NEPA Contractor
 1. Sent out RFP—selected, sent name in, and they approved it.
 - xiii. January 14—Preliminary Environmental and Alternatives Report (PEAR) delivered to STB for supporting EIS
 - xiv. January 21—Kick-off Meeting with STB and ICF
 - xv. February 12—STB publishes Notice of Intent and Draft Scope of Study in Federal Register.
 - c. Most important thing to have a level of understanding between Borough and ARRC on who is doing what.
 - d. Got most of the work done by November 1. We have put in a lot of hours and turned the clock quickly.
 - e. Identified problems with public meetings, like mushing and snowmachine trails. Very sensitive items to the public and able to address. Met with Resource Agencies, and each has written a letter.
 - f. Learned that we had in excess of 90 percent support for putting in rail line, except NIMBY. Almost nobody opposing this line.

- g. Came up with three routes. To save time and to get as much information to the Federal agency as we could, decided not recommend a route, but it will come out of the EIS process. Provided a vast amount of information on these routes to the STB. They will come back and pick the preferred alternative. We did an evaluation matrix, put plus or minus on factors. All weighted equally. Gave people an idea of what is important for the routes, like crossings of major fish streams and depth of muskeg. The Assembly looked at the matrix.
- h. STB is coming to start public hearings—they start March 3rd thru 11th.
- i. Still have engineering and environmental firm on board. Waiting for questions from feds on archeological stuff, and conceptual design.
- j. We are in the next phase, and have to figure out how to pay for it. Get financing squared away, and can construct in a year and a half if everything works out. Important thing was appropriation to the Borough to do this work.
- k. Study going on right now as to how the project gets financed. Private sector out there, but need \$50 – \$60 million in public funds.
- l. Questions/Discussion: Karl Gohlke, Tony Johansen, Paul Metz, John Duffy, Luke Hopkins, Bill Brophy, Denny Schlotfeldt, Tom George
 - i. Experience with state vs. federal is that if federal money, more bureaucracy.
 - 1. Prefer state money, but haven't made the formal request. Trying to work with our legislative delegation.
 - ii. Mines are wonderful to generate revenue but hard to get off the ground. Besides them, what new revenue do you have?
 - 1. Coal—lower costs vis a vis going to Seward. Other thing possible is importing low sulfur diesel since there is no refinery for it here.
 - iii. Tremendous impact of this rail on mineral development in the Interior. Limestone location is Livengood.
 - iv. Concerned about the interface with the public. Interface with citizens every day. Happy to help with your project if there is something we can do. Meeting Friday with Borough here.
 - v. How has it been with the Port of Anchorage?
 - 1. Our dock is zoned for bulk commodities already. Anchorage doesn't have much area, and has challenges with rail congestion, and residential neighborhoods. Makes economic sense for them the do container, but we can do bulk commodities. One regional economy. Making progress, but going to take some time.
 - vi. Best use of coal at mine or closer to mine. Have facilities in Seward. Going to cape size vessel—twice as big—increases the economy of scale for moving coal across the Pacific Rim. Other factor is Agrium if change to coal, going from Port MacKenzie to Nikiski is a shorter distance by water.
 - vii. Trying to have this constructed by 2012. Welcome resolution from this committee in support of this project.
 - viii. One existing customer is wood chips—able to move more chips out of the Tanana Valley.

- ix. Will work on a resolution at next week's meeting. The program on 3/6 will be Steve Haagenson on coal gasification, and on 3/13 John Reeves will be here to talk about the Dalton Highway.

End of Meeting.

Respectfully submitted,
Michelle B. Gibson