Port of Alaska Users Group

July 12, 2019

Honorable Christopher Constant, Co-chair Enterprise and Utility Oversight Committee

Honorable Suzanne LaFrance, Co-chair Enterprise and Utility Oversight Committee

Via Electronic Correspondence

RE: Petroleum Cement Terminal -1

We are writing to express our strong support for a safe and efficient operating Port of Alaska and updating its aging infrastructure as cost effectively and efficiently as possible. We appreciate the time and attention the assembly, the administration and the staff at the Port of Alaska (POA) are putting into this critical project. However, at this time the Port of Alaska Users Group (PAUG) does not support moving forward with the Petroleum Cement Terminal 1's (PCT-1) construction as proposed.

As the primary users and long-standing tenants of the Port, the undersigned came together in the first week of May and formed PAUG to "*enable collaboration among Port of Alaska users in supporting the Port's efforts toward a practical and affordable solution to the Port Modernization Plan.*" All active tenants of the Port are members of the user's group.

Since the formation of PAUG , we have held many sessions over several days with the administration, the project managers, assembly contractors and advisors, reviewing the history and current design of the port modernization and PCT-1. These meetings included a two-day roundtable session with members of the users group, the city, the port, project managers, and the Assembly consultant to better understand the current PCT-1 design, the north end extension and more. While it was informative, in the end, the Port user group seriously questioned much of the design assumptions and came away with more questions than answers.

As users, we respect the urgency needed to address necessary improvements to the Port's dock infrastructure. However, uncertainty around key elements of the plan have us concerned that its implementation could have unintended and significantly adverse economic consequences for the Alaska airport system, the municipalities and ultimately, all Alaskans. Our main concerns are as follows:

1. The entirety of the funding for the PCT-1 is not yet secured, and the current funding will only build a "trestle to nowhere". It doesn't address the most immediate concerns at the berth - for instance, the repair of POL-1. There is no clear plan to complete the current PCT and port project as designed. The city will be left with a "trestle to nowhere" that cannot even be used to moor a ship. And, what happens if the funding takes years to be secured, or is never secured? What are we to do with the "trestle to nowhere". To address these potentialities, we believe a comprehensive solution to the Port Modernization Project is required, not a piecemeal one.
2. The initiation of the PCT-1 project without complete funding creates uncertainty for the Port users and our customers. A significant tariff on Port users has already been proposed to complete the project, yet there has been no robust analysis of the downstream economic impacts of implementing such a tariff. Fuel is a highly sensitive commodity and as the 5th busiest air cargo hub in the world, it seems imprudent not to conduct this type of analysis before proceeding down any path that might produce negative fiscal impacts to our fragile Alaskan economy. Ultimately, without knowing what the final cost of the project will be, it is impossible to determine what the

appropriate tariff should be to underwrite the project, and by extension, whether the increased tariff is even feasible for the airport customers A material increase in the tariff will have a significant impact on air cargo industry in Alaska.

3. We believe strongly that there are better ways to move forward in the modernization of the Port. We have shared several cost saving ideas but have yet to receive a fulsome response. Therefore, the users group believes more time is needed to fully vet the project and formulate and review additional alternatives.
4. The assembly has retained a consultant at significant cost to review the PCT-1 plan and provide an analysis for your consideration. This report is due in mid-September. It seems only prudent that you should wait for this report in order to make the best informed decision. There is an overall lack of confidence in the project being completed. The project, as designed, is unaffordable.

The project lacks stakeholder alignment. For the Port to obtain additional funding from all sources, the port modernization project will require the stakeholders to be engaged and aligned to actively champion the project.

We applaud the assembly for retaining a consultant to conduct an independent review of the Port modernization plan and potential alternatives for the project. The power of our alignment should not be understated. Not only is it important, it is also very powerful when seeking federal funding. For these reasons, we respectfully request that (i) you suspend the procurement process for PCT-1 and the "trestle to nowhere", and ii) wait for your consultant's report due in September, and, (iii) allow more time for the creation and assessment of, design alternatives, as well the collaborative development of a realistic, sustainable and secure funding plan.

The Port users are committed to working with key stakeholders to gain the critical support of our congressional delegation and the Department of Defense.

We appreciate your consideration of our request and look forward to working with your Administration and the Port team towards a successful outcome.

Sincerely,

Port of Alaska Users Group

Co-chair

Bal Dreyfus

Matson Navigation Company of Alaska, LLC
TOTE Maritime Alaska
Anchorage Fueling and Service Company
Marathon Petroleum Corporation
Crowley
Petro Star, Inc.
Delta Western
Alaska Basic Industries

CC:

The Honorable Mayor Ethan Berkowitz
Bill Falsey, Municipal Manager
Steve Ribuffo, Port of Alaska Port Director
Members of the Enterprise and Utility Oversight Committee
Roe Sturgulewski, Consultant to the Enterprise and Utility Oversight Committee
US Senator Dan Sullivan
US Senator Lisa Murkowski
US Congressman Don Young