



Municipality of Anchorage

Port of Alaska Modernization Program (PAMP)

Repayment of Port Debt for the PAMP (Surcharge Concept)

**Presentation by Ross Risvold to the
Assembly Enterprise and Utility Oversight
Committee-of-the-Whole**

August 18, 2022

PAMP Cost by Phase

- Phase I
 - Petroleum and Cement Terminal (PCT) \$ 228 million
(To Be Completed Aug 2022)
- Phase II A
 - Administrative Building (To Be Completed Dec 2023) \$ 11 million
 - North End Stabilization Step 1 (To Be Completed Dec 2024) \$ 132 million
 - Total Phase II A \$ 143 million
- Phase II B
 - Cargo Terminal Replacement (To Be Completed 2032) \$ 1.103 Billion
- Phase II Total \$ 1.246 Billion
- Phase III
 - Petroleum Terminal 2 (To Be Completed 2035) \$ 184 million
- Phase IV
 - North End Stabilization Step 2 (To Be Completed 2033) \$ 134 million
- Phase V
 - Terminal 3 Demolition (To Be Completed 2035) \$ 59 million

PAMP ALL Phases - Total Cost \$1.851 Billion

Policy Considerations

1. Surcharge Concept

For recovery of PAMP marine terminal costs, using a per ton Surcharge on all commodities crossing the terminal

Recalibrates tariff rates for Petroleum and Cement Users beginning in 2023

2. All construction costs provided by Jacobs are as of March 15, 2022 and use 'mid-point of construction' escalation figures which include inflation
3. 30-year bonds were sold in 2020 for the PCT
4. Additional bonds are anticipated to be sold in late 2022
5. Tariff and Surcharge rates developed from this point forward assume bonds will be issued with a 40-year term
6. Tariff and Surcharge rates will be evaluated annually to reflect actual debt incurred and adjusted as necessary
7. Cruise Ship activity is charged in the current Tariff 9.1

Rate Design Surcharge Concept

1. The Surcharge Concept is based upon Commodities crossing the dock on a per ton basis

- A surcharge on all commodities will be used to generate the required revenue to support the debt needed to complete all phases of the PAMP
- Amounts to 82% of overall PAMP costs
 - Petro (Portion of Phase 1 and All of Phase 3)
 - Cement (Portion of Phase 1 only)
 - Cargo (Phase 2B only)

2. The Remaining Cost is Assigned to all Port Users

- This portion of the PAMP benefits all Port users and the existing tariff will be adjusted and be applied to all port users to generate the required revenue to support the debt needed to complete the phases identified below
- Amounts to 18% of overall PAMP costs
 - Administrative Building (Phase 2A)
 - North End Stabilization (Phase 2A and Phase 4)
 - Demolition Terminal 3 (Phase 5)

Rate Design Surcharge Concept

Commodity Surcharge Concept Calculations

<u>Commodity</u>	<u>Cement Tons</u>	<u>Cargo Tons</u>	<u>Petro Barrels</u>	
2021 Tonnage/Barrels	88,000	1,634,000	15,523,693	
Percentage Value to Each Terminal / Commodity	1.05%	72.81%	26.14%	<u>100.00%</u>
Outstanding Debt 2020 Series A	\$19,000,000			
Additional Debt 2022	<u>\$65,000,000</u>			
Debt Outstanding - Forecasted	\$84,000,000			
Commodity Surcharge Per Ton / Barrel 2023	<u>\$0.87</u>	<u>\$3.24</u>	<u>\$0.1224</u>	
2020 Series A Bonds and 2022 Bonds Annual Required Revenue	<u>\$7,268,045</u>	\$76,566	\$5,291,521	\$1,899,958
				<u>\$7,268,045</u>
Commodity Surcharge Per Ton/Barrel 2023, including the 5% Variance Factor	<u>\$0.91 / Ton</u>	<u>\$3.40 / Ton</u>	<u>\$0.1285 / Barrel</u>	

NOTES

Surcharge to be effective January 1, 2023 and is evaluated every year

Required Revenue, Additional Debt in 2022 and Surcharges are Forecasts

Surcharge includes a 5% Variance Factor for Forecasted Tonnage & Barrels

The Required Revenue for the \$46,000,000 2020 Series B Bonds are provided for in the Baseline Tariff

The Percentage Value is based upon Phase I, Phase II B and Phase III cost of \$1.515 Billion

Rate Design Surcharge Concept

Commodity Surcharge Concept Calculations

Commodity	<u>Cement</u>	<u>Cargo</u>	<u>Petro (Barrels)</u>
Surcharge Per Ton/Barrel 2023	\$0.91	\$3.40	\$0.1285
Surcharge Per Ton/Barrel 2024	\$0.91	\$3.40	\$0.1285
Surcharge Per Ton/Barrel 2025	\$0.91	\$3.40	\$0.1285
Surcharge Per Ton/Barrel 2026	\$0.91	\$3.40	\$0.1285
Surcharge Per Ton/Barrel 2027	\$0.91	\$3.40	\$0.1285

NOTES

Surcharge to be effective January 1 each year and is evaluated every year

Surcharge includes a 5% Variance Factor for Forecasted Tonnage & Barrels and is evaluated every year

Rate Design Surcharge Concept

Commodity Price Impact

<u>Commodity</u>	<u>Weight in Lbs</u>	<u>Surcharge Per Ton</u>	<u>2023 Impact</u>
Impact on a Gallon of Milk	8.6	\$3.40	\$0.0146
Impact on a Loaf of Bread	1	\$3.40	\$0.0017
Impact on a 40lb Bag of Cement	40	\$0.91	\$0.0182
Impact on a 5,000 lb Pickup Truck	5,000	\$3.40	\$8.5000
	<u>Unit of Measure (1/42nd of a Barrel)</u>	<u>Surcharge Per Barrel</u>	<u>2023 Impact</u>
Impact on a Gallon of Gasoline	0.0238	\$0.1285	\$0.0031

NOTES

Surcharge to be effective January 1 each year and is evaluated every year

Surcharge includes a 5% Variance Factor for Forecasted Tonnage & Barrels and is evaluated every year

It is difficult to quantify the financial impact of the Surcharge on any particular item; such as a gallon of milk, a gallon of fuel, lumber delivered to various lumber yards across the State or a pickup truck delivered to Fairbanks or Kenai. In our review, we have assumed that the entire Surcharge is passed on to the ultimate consumer.

Rate Design - Surcharge Concept Implementation Schedule

1. Port Commission Regular Meeting (Aug 10) - Completed
2. Port Staff Modifies Tariff 9.1 to Become Tariff 10.0 - Underway
3. Port Commission Special Meeting to Review Proposed Tariff 10.0
Late September
4. Port Commission Provides Recommendation to Assembly
5. Assembly May Hold a Public Work Session Regarding the Surcharge
6. Ordinance for new Tariff No. 10.0 is Introduced to the Assembly at a Regular Meeting
7. Assembly Holds Public Hearing for the Tariff Ordinance at a Regular Meeting
8. Surcharge Becomes Effective January 1, 2023, if approved

2022 Port / PAMP Surcharge Concept Implementation 08-08-2022

Conclusion

As an Enterprise Fund and Nonregulated Utility – the Port of Alaska recovers all costs through user fees

Port infrastructure investment costs are typically recovered using a Surcharge method

The Surcharge Concept of assigning a Surcharge to a specific commodity (Petro, Cement, Cargo) coming across the dock is the policy recommendation of the Municipality

This recommendation is based upon Uniform Pricing which is the concept of one price for each User of a particular terminal

This Surcharge Concept, particularly the Uniform Surcharge for Cargo Terminal Users, has been vetted and reviewed by the Municipality's Bond Counsel, Municipal Advisor and independent advisors to the Port consistent with the Municipality's prior practice to support usage pricing and operations

The amount of the Surcharge will be reviewed annually

This Surcharge Concept is a fair, transparent, equitable and legally defensible Concept