January 28, 2015

Honorable Kevin Meyer  
Senate President  
Alaska State Legislature  
State Capitol Room 111  
Juneau, AK 99801

Honorable Mike Chenault  
Speaker of the House  
Alaska State Legislature  
State Capitol Room 208  
Juneau, AK 99801

To Senate President Meyer and House Speaker Chenault:

Included with this letter is the quarterly report for the second quarter of SFY 2015 from the Municipality of Anchorage regarding the Anchorage Port Modernization Project (APMP) submitted in accordance with the reporting requirement pursuant to Section 1, Chapter 5 FSSLA 2011 (pg. 20, line 16-18), which expresses an intent that the Municipality of Anchorage submit quarterly progress reports detailing cost overruns and significant project scope changes.

During the current reporting period there have been no cost overruns or significant project scope changes. However, there have been new and important developments.

This report addresses both of those requirements while explaining some of the major changes underway with the project. Additional information is available on www.portofalaska.com or by request.

I look forward to discussing this project with you during session. Please do not hesitate to contact me if you require any further assistance.

Sincerely,

[Signature]

Dan Sullivan  
Mayor

Port of Anchorage Quarterly Report to Alaska Legislature SFY 2nd Quarter 2014
INTRODUCTION

The Port of Anchorage (POA) provides critical infrastructure for the citizens of Anchorage and a majority of the citizens of the State of Alaska because most of the goods shipped to and from the state pass through the POA. This includes fuel supplied to Joint Base Elmendorf-Richardson and Ted Stevens Anchorage International Airport.

The existing port was built in the 1960s and is reaching the end of its useful life. The Anchorage Port Modernization Project (APMP) is intended to provide new berthing facilities for the shipping companies calling on Anchorage.

CHARRETTE

On August 18, the POA began a week-long collaborative Concept Planning Charrette to identify and refine concept designs for the APMP.

The Concept Planning Charrette, a workshop that involved key stakeholders who identified operational constraints, known risks, and user priorities. At the conclusion, the POA identified three preliminary design concepts from the viewpoint of technical experts and Port users.

More than 50 individuals representing Port users, experts, and POA and Municipality of Anchorage (MOA) leadership participated. A Project Management Consultant team, led by CH2MHILL, conducted the effort.

DESIGN SELECTION

In early November, the APMP Concept Evaluation Committee selected the most suitable option and recommended the path forward to Mayor Sullivan, which he accepted.

On November 21, Mayor Sullivan and executive members of the APMP team briefed the Assembly Enterprise Committee of the concept plan.
FUNDING SUMMARY-As of December 31, 2014

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<th>APPROPRIATIONS</th>
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<td>State Grants/Bonds</td>
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<td>Port Equity</td>
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DATE: 12/31/2014
CONCLUSION

There is a clear path forward. The MOA and POA has adopted significant management and scope changes for the project. These oversight initiatives will provide essential information for orderly and efficient port development, together with local control and accountability. The next phase of the project is to obtain funding and finalize the design.

More than 50 stakeholders, individuals representing Port users and vessel operators, technical and subject matter experts, and POA and MOA leadership support the adopted concept plan.

This Port infrastructure is critical to the state. The facility has been open for business for over 50-years and against the extreme weather, the second largest tides in the world, pan ice, siltation and a growing maintenance operation the POA has never missed a ship to serve Alaska.

Uniquely, there is no other facility in Alaska more capable, centrally located or affordable for shippers and consumers. Alaska needs to invest in securing and modernizing this port to ensure dependable cargo service for Southcentral Alaska and beyond for upwards to 75-years.

With continued support from the State of Alaska we will accomplish progress toward a modern, efficient port facility in Anchorage that will serve the citizens of Alaska for decades to come.